

CHAPTER-II

Finances of the State

Chapter II: Finances of the State

2.1 Introduction

This Chapter provides a broad overview of the finances of the State of Arunachal Pradesh and analyses critical changes in the major fiscal aggregates relative to the preceding years, overall trends during the last five years 2018-19 to 2022-23 and Debt Sustainability of the State in addition to the key Public Account transactions. The analysis has been made based on the State Finance Accounts and information obtained from the State Government.

2.2 Major changes in key fiscal aggregates *vis-à-vis* 2022-23

A bird's eye view of the major changes in key fiscal aggregates of the State during 2022-23, compared to the previous year is given in **Table 2.1**.

Table 2.1: Changes in key fiscal aggregates in 2022-23 compared to 2021-22

| | |
|---------------------|---|
| Revenue Receipts | <ul style="list-style-type: none"> ✓ Revenue Receipts of the State increased by 12.04 per cent ✓ Own Tax Revenue of the State increased by 36.44 per cent ✓ Own Non-Tax Revenue increased by 31.39 per cent ✓ State's Share of Union Taxes/ Duties increased by 13.97 per cent ✓ Grants-in-Aid (GIA) from Government of India decreased by 7.90 per cent |
| Revenue Expenditure | <ul style="list-style-type: none"> ✓ Revenue Expenditure increased by 9.91 per cent ✓ Revenue Expenditure on General Services increased by 7.67 per cent ✓ Revenue Expenditure on Social Services increased by 1.46 per cent ✓ Revenue Expenditure on Economic Services increased by 21.25 per cent ✓ Expenditure on GIA increased by 19.82 per cent |
| Capital Receipts | <ul style="list-style-type: none"> ✓ Debt Capital Receipts increased by 67.23 per cent ✓ Non-debt Capital Receipts decreased by 29.05 per cent |
| Capital Expenditure | <ul style="list-style-type: none"> ✓ Capital Expenditure increased by 24.95 per cent ✓ Capital Expenditure on General Services increased by 1.66 per cent ✓ Capital Expenditure on Social Services increased by 5.05 per cent ✓ Capital Expenditure on Economic Services increased by 43.30 per cent |
| Loans and Advances | <ul style="list-style-type: none"> ✓ Disbursement of Loans and Advances increased by 31.64 per cent ✓ Recoveries of Loans and Advances decreased by 29.05 per cent |
| Public Debt | <ul style="list-style-type: none"> ✓ Public Debt Receipts increased by 67.23 per cent ✓ Repayment of Public Debt increased by 55.37 per cent |
| Public Account | <ul style="list-style-type: none"> ✓ Public Account Receipts increased by 18.65 per cent ✓ Disbursement of Public Account increased by 38.98 per cent |
| Cash Balance | <ul style="list-style-type: none"> ✓ Overall Cash balance of the State decreased by ₹10.20 crore (0.23 per cent) during 2022-23 compared to previous year |

Source: Finance Accounts of the respective year

As can be seen from the above Table, the Capital Expenditure has increased more in the Development Head than in the Non-Development Head during 2022-23 over the previous year.

2.3 Sources and Application of Funds

A comparison of components of the sources and application of funds of the State during the current year with those of the previous year is given in **Table 2.2**.

Table 2.2: Details of Sources and Application of funds during 2022-23 and 2021-22

(₹ in crore)

| Particulars | | 2021-22 | 2022-23 | Increase/ Decrease | Increase/ Decrease per cent |
|-------------|------------------------------------|------------------|------------------|-----------------------|-----------------------------------|
| Sources | Opening Cash Balance with RBI | 3,389.33 | 4,356.35 | 967.02 | 28.53 |
| | Revenue Receipts | 21,231.64 | 23,788.14 | 2,556.50 | 12.04 |
| | Recoveries of Loans and Advances | 6.85 | 4.86 | (-1.99) | (-29.05) |
| | Public Debt Receipts (Net) | 1,128.01 | 1,928.45 | 800.44 | 70.96 |
| | Public Account Receipts (Net) | 938.05 | (-203.25) | (-1,141.30) | (-121.67) |
| | Total | 26,693.88 | 29,874.55 | 3,180.67 | 11.92 |
| Application | Revenue Expenditure | 15,846.64 | 17,417.67 | 1,571.03 | 9.91 |
| | Capital Expenditure | 6,488.33 | 8,107.36 | 1,619.03 | 24.95 |
| | Disbursement of Loans and Advances | 2.56 | 3.37 | 0.81 | 31.64 |
| | Closing Cash Balance with RBI | 4,356.35 | 4,346.15 | (-10.20) | (-0.23) |
| | Total | 26,693.88 | 29,874.55 | 3,180.67 | 11.92 |

Source: Finance Accounts of the respective year

Appendix 2.1 provides details of receipts and disbursements and the overall fiscal position of the State during the current year as well as the previous year. The composition and application of resources in the Consolidated Fund of the State during 2022-23 is given in **Chart 2.1 and 2.2**.

Chart 2.1: Composition of Resources

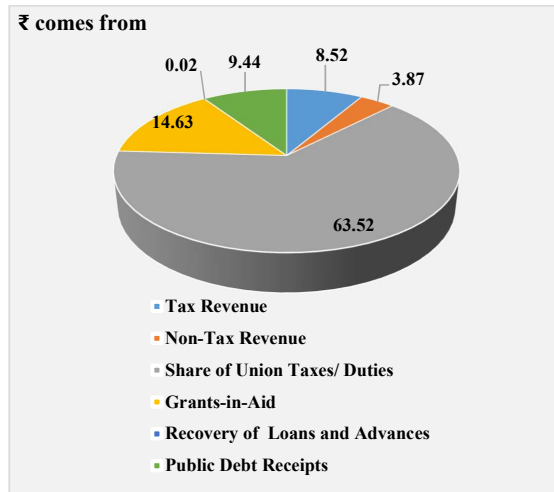
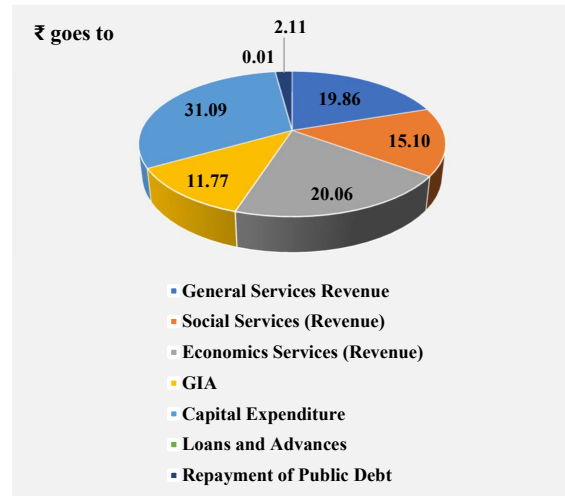


Chart 2.2: Application of Resources



Source: Finance Accounts, 2022-23

In both composition and application of resources, the share of receipt and disbursement of loans and advances was less than one per cent.

2.4 Resources of the State

The resources of the State are described below:

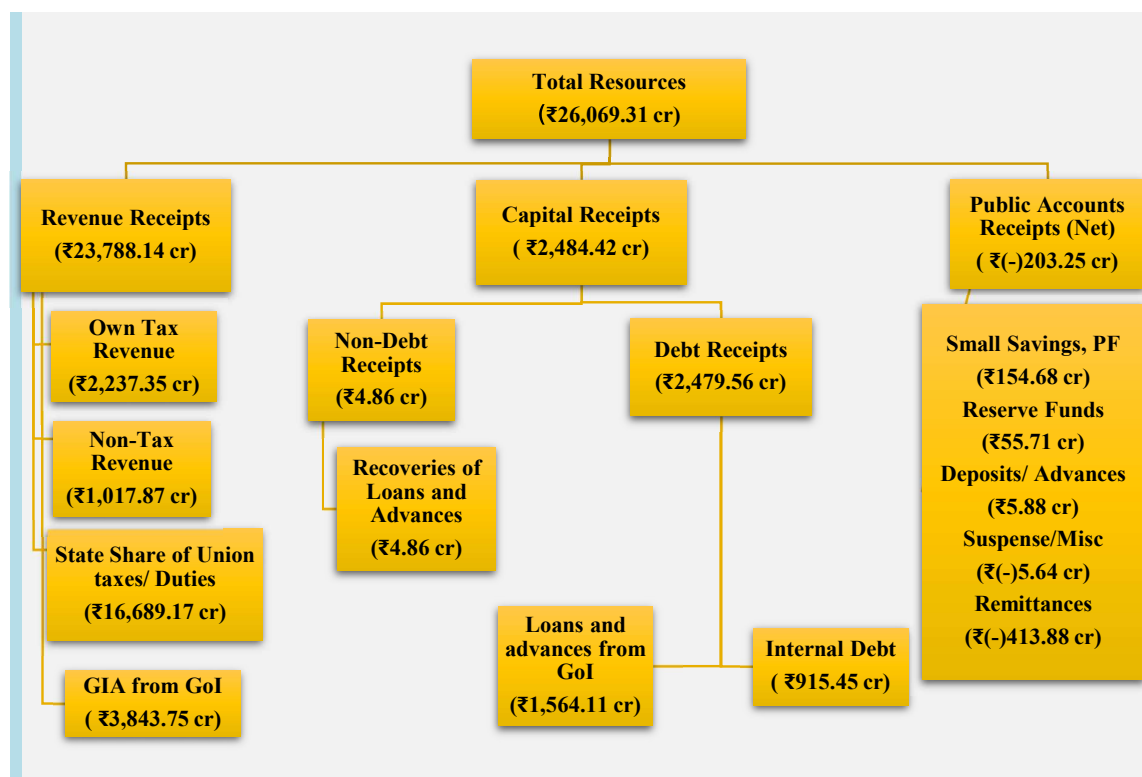
- 1. Revenue Receipts** consist of Tax Revenue (Own tax revenue *plus* Share of Union Taxes/ duties), non-Tax Revenue and Grants from the Government of India (GoI).
- 2. Capital Receipts** (debt and non-debt capital receipts) comprise miscellaneous Capital Receipts such as proceeds from disinvestments, recoveries of Loans and Advances, debt receipts from internal sources (market loans, borrowings from financial institutions/ commercial banks) and Loans and Advances from GoI.

Both Revenue and Capital Receipts form part of the Consolidated Fund of State.

- 3. Net Public Accounts Receipts:** These are receipts and disbursements in respect of certain transactions such as Small Savings, Provident Fund, Reserve Funds, Deposits, Suspense, Remittances, *etc.* which do not form part of the Consolidated Fund.

These are kept in the Public Account set up under Article 266 (2) of the Constitution and are not subject to vote by the State Legislature. Here, the Government acts as a banker. The balance after disbursements is the fund available with the Government for use.

Chart 2.3: Composition of resources of the State during 2022-23



Source: Finance Accounts, 2022-23

2.4.1 State's Revenue Receipts

2.4.1.1 Trends and growth of Revenue Receipts

Statement-14 of the Finance Accounts depicts the Revenue Receipts of the Government. Trends and composition of Revenue Receipts over the period 2018-19 to 2022-23 are presented in *Appendix 2.2* and depicted in **Table 2.3** and **Chart 2.4** respectively.

Table 2.3: Trends in Revenue Receipts

| Parameters | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
|---|------------------|------------------|------------------|------------------|------------------|
| Revenue Receipts (RR) (₹ in crore) | 16,195.96 | 14,888.55 | 17,123.51 | 21,231.64 | 23,788.14 |
| Rate of growth of RR (<i>per cent</i>) | 17.58 | (-8.07) | 15.01 | 23.99 | 12.04 |
| Tax Revenue | 11,504.18 | 10,216.30 | 11,903.68 | 16,283.69 | 18,926.52 |
| <i>Own Tax Revenue</i> | <i>1,068.04</i> | <i>1,228.73</i> | <i>1,431.1</i> | <i>1,639.79</i> | <i>2,237.35</i> |
| <i>State Share in Union taxes/ duties</i> | <i>10,436.14</i> | <i>8,987.57</i> | <i>10,472.58</i> | <i>14,643.90</i> | <i>16,689.17</i> |
| Non-Tax Revenue | 608.87 | 651.38 | 836.53 | 774.67 | 1,017.87 |
| Grant in Aid from GoI (GIA) | 4,082.91 | 4,020.87 | 4,383.30 | 4,173.28 | 3,843.75 |
| Rate of Growth of GIA from GoI | 21.73 | (-1.52) | 9.01 | (-4.79) | (-7.90) |
| Own Revenue (Tax and Non-tax) | 1,676.91 | 1,880.11 | 2,267.63 | 2,414.46 | 3,255.22 |
| Rate of growth of Own Revenue (Own Tax and Non-tax Revenue) (<i>per cent</i>) | 41.90 | 12.12 | 20.61 | 6.48 | 34.82 |
| GSDP (₹ in crore) (2011-12 Series) | 25,334.86 | 30,025.23 | 30,945.33 | 35,483.76 | 39,671.24 |

| Parameters | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
|--|---------|---------|---------|---------|---------|
| Rate of growth of GSDP (<i>per cent</i>) | 12.73 | 18.51 | 3.06 | 14.67 | 11.80 |
| Buoyancy Ratios with respect to GSDP | | | | | |
| Revenue Receipts | 1.38 | -- | 4.90 | 1.64 | 1.02 |
| State's Own Revenue | 3.29 | 0.65 | 6.73 | 0.44 | 2.95 |

Source: Finance Accounts of respective years

It is seen that the Revenue Receipts of the State increased by ₹7,592.18 crore (46.88 *per cent*) from ₹16,195.96 crore in 2018-19 to ₹23,788.14 crore in 2022-23 at an average growth rate of 12.11 *per cent*.

During 2022-23, the Revenue Receipts increased by ₹2,556.50 crore (12.04 *per cent*) over the previous year. This was due to an increase in the non-tax revenue by ₹243.20 crore (31.39 *per cent*), own tax revenue by ₹597.56 crore (36.44 *per cent*) and share of the Union taxes/ duties by ₹2,045.27 crore (13.97 *per cent*) which was partially offset by a decrease in GIA by ₹329.53 crore (7.90 *per cent*). The growth rate of RR (12.04 *per cent*) was higher than that of growth of GSDP (11.80 *per cent*) during the current year. A higher growth rate in Revenue Receipts enables a State to spend more on improving the priority areas like infrastructure, Health, Education, *etc*.

During 2022-23, the growth rate of State's Own Revenue (34.82 *per cent*) was significantly higher than that of the previous year. This was due to an increase in both Tax Revenue and Non-Tax Revenue. During 2022-23, the growth rate of GSDP (11.80 *per cent*) was less than that of State's Own Revenue (34.82 *per cent*).

The growth rate of the GIA from GoI has also been inconsistent over the last five-year period (2018-19 to 2022-23). The GIA decreased by ₹62.04 crore (1.52 *per cent*) during 2019-20 as compared to 2018-19 and increased during 2020-21 (9.01 *per cent*) in comparison to 2019-20. However, it again decreased (4.79 *per cent*) during 2021-22 as compared to 2020-21. During 2022-23, it decreased (7.90 *per cent*) as compared to 2021-22.

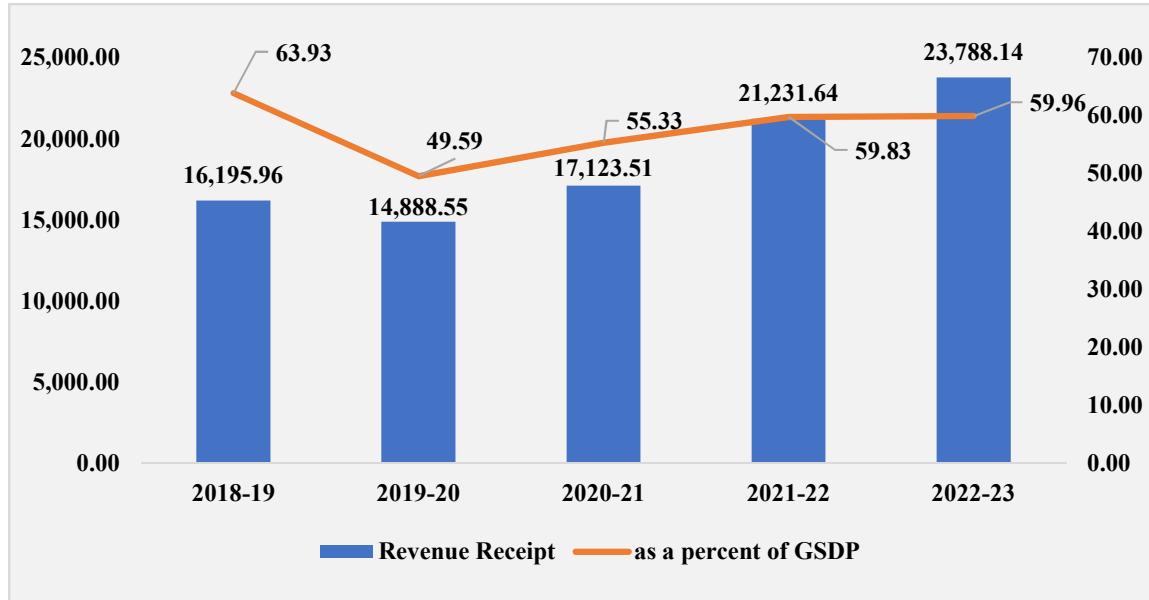
The Buoyancy Ratio¹ of Revenue Receipts with reference to GSDP was more than 'one' in four years in the last five-year period (except 2019-20). This implied that Revenue Receipts have been growing faster than GSDP. During 2022-23, the Buoyancy Ratio of Revenue Receipts decreased over the previous year.

Tax buoyancy indicates the measure of efficiency or responsiveness in tax collection in response to the growth in GSDP. Tax revenues are considered buoyant when they increase more than proportionately in response to the increase in GSDP even when the rates of taxes remain unchanged. Buoyancy Ratio of the State's own Revenue was inconsistent during the five-year period (2018-19 to 2022-23). During 2022-23, the Buoyancy Ratio of State's Own Revenue increased over the previous year.

¹ Buoyancy indicate the degree of responsiveness of a fiscal variable with respect to a given change in the base variable. To cite an example, the Buoyancy ratio of Revenue Receipts with GSDP of more than one indicates that the growth rate of Revenue Receipts would be much higher than the growth rate of the GSDP

During the current year, the Buoyancy Ratio of State's Own Revenue was nearly 'three' which indicates that growth rate of GSDP is slower than growth rate of State's Own Revenue.

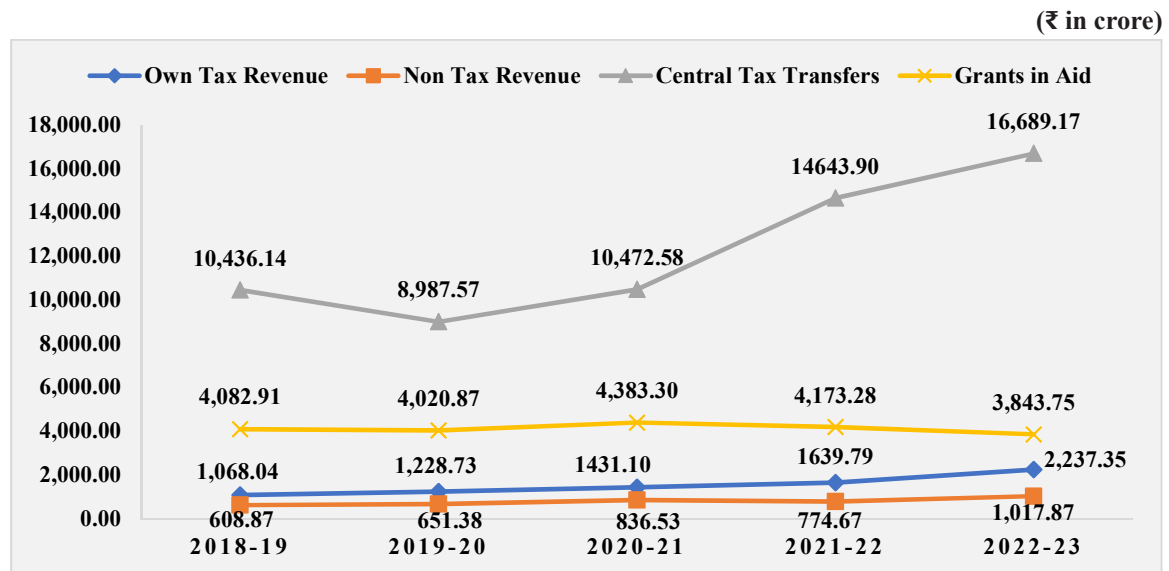
Chart. 2.4 Trends of Revenue Receipts relative to *percentage* of Revenue Receipts to GSDP



Source: Finance Accounts of the respective year

As evident from the **Chart 2.4**, the Revenue Receipts as a *percentage* of GSDP were hovering around 50 to 64 *per cent* during the five-year period (2018-19 to 2022-23). The trend of the composition of Revenue Receipts for the period from 2018-19 to 2022-23 are given in **Chart 2.5**.

Chart 2.5: Composition of Revenue Receipts



Source: Finance Accounts of the respective year

2.4.2 State's Own Resources

The State share in Central taxes is determined on the basis of recommendations of Finance Commission (FC). GIA from the Central Government is determined by the quantum of collection of Central Tax receipts and anticipated Central Assistance for Schemes. State's performance in mobilisation of additional resources was assessed in terms of its own resources comprising revenue from Own Tax and Own Non-Tax.

The State's Tax and Non-Tax Revenue for 2022-23 *vis-à-vis* assessment made by XV FC and BEs are given in **Table 2.4**.

Table 2.4: Tax and Non-Tax Receipts

(₹ in crore)

| Particulars | XV FC projections | Budget Estimates | Actual | Percentage variation of actual over | |
|-----------------|-------------------|------------------|-----------------|-------------------------------------|-------------------|
| | | | | Budget estimates | XV FC projections |
| Own Tax revenue | 1,548.00 | 1,267.53 | 2,237.35 | 76.51 | 44.53 |
| Non-tax revenue | 454.00 | 935.00 | 1,017.87 | 8.86 | 124.20 |
| Total | 2,002.00 | 2,202.53 | 3,255.22 | - | - |

Source: Recommendations of XV FC Report, Annual Financial Statement, 2022-23 and Finance Accounts, 2022-23

XV FC projected that the State's own revenue resources during 2022-23 would be ₹2,002.00 crore. However, the actual collections during 2022-23 were ₹3,255.22 crore which was 62.60 *per cent* higher than the projections made by XV FC and 47.79 *per cent* higher than the assessment made in BE.

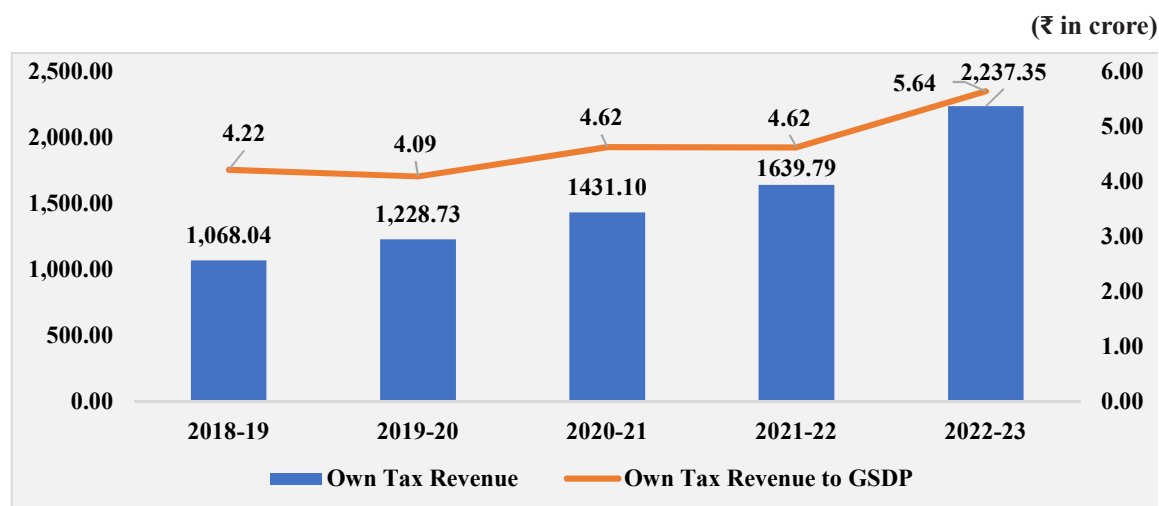
The State collected higher Own Tax Revenue compared to the budgeted amount, with a broad-based increases in all tax components except in the component of Taxes on Sales, Trades, *etc.*

Similarly, collection of Non-Tax Revenue during 2022-23 was higher than the assessments made in BE due to significant increases in Interest receipts, Education, Food Storage and Warehousing and Power.

2.4.2.1 Own Tax Revenue

Own Tax Revenues of the State consist of State GST, State Excise, Taxes on Vehicles, Stamp Duty and Registration Fees, Land Revenue and Taxes on Goods and Passengers, *etc.* Trends of State's Own Tax Revenue and ratio of Own Tax Revenue to GSDP over the period 2018-23 are presented in **Chart 2.6**.

Chart 2.6: Trend of Own Tax Revenue during 2018-23



Source: Finance Accounts of the respective year

The Own Tax Revenue increased by ₹1,169.31 crore (109.48 per cent) i.e., from ₹1,068.04 crore in 2018-19 to ₹2,237.35 crore in 2022-23, during the five-year period.

During the current year it increased by 36.44 per cent (₹597.56 crore) in comparison to the previous year. The increase over the previous year was due to a significant increase by ₹476.05 crore (42.09 per cent) under SGST, by ₹164.95 crore (142.30 per cent) under State Excise which was offset by decrease by ₹102.79 crore (31.67 per cent) under Taxes on Sales, Trade, etc. During 2022-23, SGST alone contributed around 71.82 per cent of Own Tax Revenue.

During 2022-23, as percentage of GSDP, State's Own tax increased to 5.64 per cent in 2022-23 from the previous year figure of 4.62 per cent. During 2022-23, XV FC projected the ratio of Own tax to GSDP as 4.60 per cent while the actual was 5.64 per cent. During the current year, the State did not achieve its own target of 10.30 per cent for Own Tax to GSDP ratio projected in Fiscal indicators-rolling targets in Medium Term Fiscal Plan (MTFP).

The CAGR of the Own Tax Revenue of the State for the period from 2018-19 to 2022-23 stood at 20.31 per cent and decadal CAGR of the State's Own Tax Revenue was 19.97 per cent which was higher than decadal CAGR of GSDP (11.76 per cent) and Revenue Receipts (16.93 per cent). Component-wise details of State's Own Tax Revenue collected during 2018-19 to 2022-23 are given in **Table 2.5**.

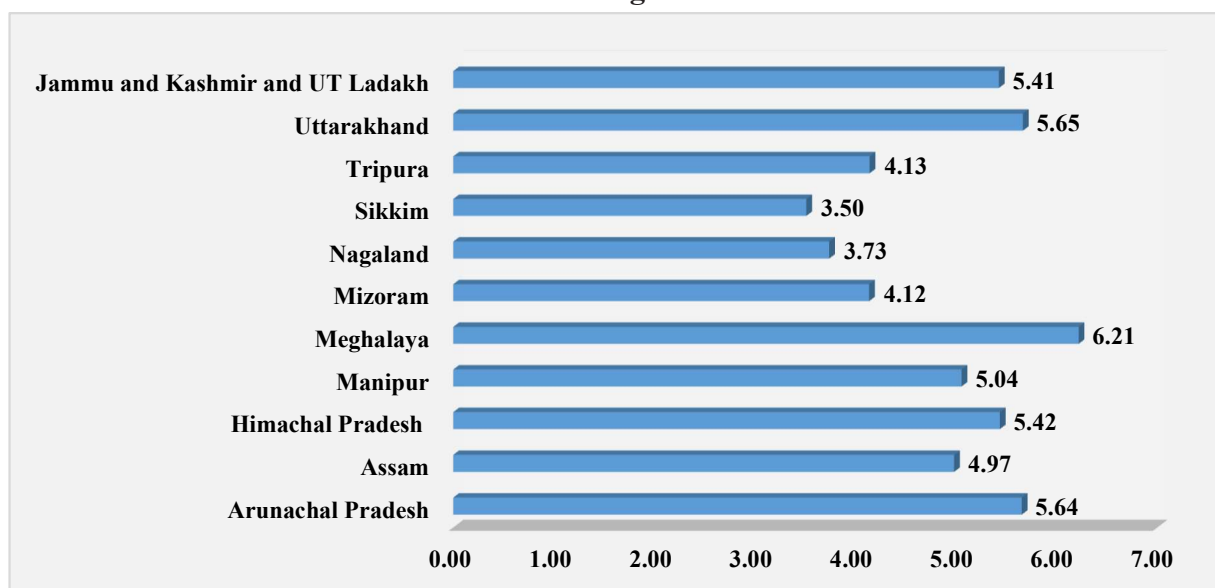
Table 2.5: Components of State's Own Tax Revenue

| Particulars | (₹ in crore) | | | | | Spark line |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------|
| | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | |
| Goods and Service Tax | 601.00 | 801.55 | 859.29 | 1,131.00 | 1,607.05 | |
| Taxes on Sales, Trade, etc. | 268.74 | 219.82 | 283.09 | 324.61 | 221.82 | |
| State Excise | 136.73 | 144.97 | 238.02 | 115.92 | 280.87 | |
| Taxes on vehicles | 32.43 | 38.12 | 32.71 | 48.94 | 62.11 | |
| Stamps and Registration Fees | 9.16 | 8.14 | 10.47 | 12.48 | 17.82 | |
| Land Revenue | 14.58 | 15.97 | 7.52 | 6.83 | 47.67 | |
| Taxes on Goods and Passengers | 5.40 | 0.16 | 0.00 | 0.01 | 0.01 | |
| Total | 1,068.04 | 1,228.73 | 1,431.10 | 1,639.79 | 2,237.35 | |

Source: Finance Accounts of the respective year

- During 2022-23, the actual collection of SGST was ₹1,607.05 crore against the Budget estimate of ₹521.71 crore. SGST increased by ₹476.05 crore (42.09 per cent) which was mainly due to an increase in Tax by ₹154.89 crore (46.69 per cent), Apportionment of IGST-transfer-in of tax component to SGST by ₹144.61 crore (77.40 per cent) and Input Tax credit cross utilisation of SGST and IGST by ₹162.96 crore (26.82 per cent).
- During 2022-23, the collections from Sales, Trades, etc. decreased by ₹102.79 crore (31.67 per cent) due to the less collections against Value Added Tax (VAT). The reduction in collections in Taxes on Sales and Trade was due to introduction of GST as VAT on other products except liquor and petroleum products got subsumed in GST.
- During the current year, collection from Taxes on Vehicles increased by ₹13.17 crore (26.91 per cent) due to increase in Receipts under the Indian Motor Vehicles Taxation Acts by ₹5.24 crore (1,122.81 per cent) and Receipts under the State Motor Vehicles Taxation Acts by ₹7.93 crore (16.36 per cent).
- The collections from Taxes on Goods and Passengers were approximately Nil during 2022-23 as it got subsumed in GST from July 2017.
- During 2022-23, the collections under Stamps and Registration increased by ₹5.34 crore due to more collections under Registration fees and Non-Judicial Stamps.
- The collections from State Excise increased by ₹164.95 crore (142.30 per cent). This was due to significant increase in collection from minor head Liquor by ₹280.80 crore (100.00 per cent).

Chart 2.7: Percentage of Own Tax Revenue to GSDP of NE&H States during 2022-23



Source: Compilation of SFAR, 2022-23, issued by Economics division of CAG

State Goods and Services Tax

During 2022-23, no difference was noticed in amount of SGST between the books of RBI and Finance Accounts. During the current year, the State did not receive back to back loans in lieu of GST compensation shortfall as the State collected higher SGST against the projected SGST.

Audit of GST Receipts

The Government of India's decision to provide access to Pan-India data at GSTN premises was conveyed on 22 June 2020. In case of Arunachal Pradesh which is a Model-II State, role-based access to back-end application was provided to office of the Principal Accountant General (Audit) in December 2020. However, the access was limited to their premises only and the matter of providing remote access was under consideration. The accounts for the year 2021-22 have, therefore, been certified on the basis of the test audit as was being done when records were being maintained manually, pending full implementation of the GoI's decision to provide audit access to GSTN data.

Analysis of Arrears of Revenue and Arrears of assessment

The arrears of revenue indicate delayed realisation of revenue due to the government. Similarly, arrears of assessment indicate potential revenue which is blocked due to a delayed assessment. Both deprive the State of potential receipts and ultimately affect the revenue surplus of the State. Arrears of revenue and Arrears of assessment as on 31 March 2023 is given in **Table 2.6**.

Table 2.6: Details of Arrears of Revenue and Arrears of Assessment

| Arrears of Revenue (₹ in crore) | | | | | | |
|--|----------------------------------|-----------------|---------------|--------------|--------------|--|
| Particulars | Amount Outstanding for more than | | | | | Amount Outstanding as on 31 March 2023 |
| | Five years | Four years | Three Years | Two Years | One year | |
| Taxes on Sales, Trade etc. | 10.93 | 7.37 | 7.36 | 7.36 | 7.36 | 40.38 |
| State Excise | 0.56 | 0.10 | 0.10 | 0.10 | 1.06 | 1.92 |
| GST | 0.00 | 0.00 | 0.00 | 0.00 | 0.23 | 0.23 |
| VAT | 1,362.00 | 1,884.00 | 302.30 | 15.20 | 31.70 | 3,595.20 |
| Total | 1,373.49 | 1,891.47 | 309.76 | 22.66 | 40.35 | 3,637.73 |
| Arrears of Assessment | | | | | | |
| No. of cases pending as on 31 March 2022 | | | | | | 446* |
| Cases detected for assessment during 2022-23 | | | | | | 36# |
| Cases disposed of during 2022-23 | | | | | | 28 |
| No. of cases pending as on 31 March 2023 | | | | | | 454 |

Source: Information furnished by the Taxes and Excise and Narcotics Department, GoAP

* Information received from 25 Superintendents out of 28

Information received from 23 Superintendents out of 28

- Information received from 23 Superintendents, Taxes and Excise and Narcotics stated that arrears amounted to ₹3,637.73 crore was outstanding as on March 2023. An amount of ₹1,373.49 crore was found outstanding for more than five-years, ₹1,891.46 crore outstanding for more than four years, ₹309.76 crore outstanding for more than three years, ₹22.66 crore outstanding for more than two years and ₹40.35 crore outstanding for more than one year. Clearance of such magnitude of amounts requires focused efforts by all departments concerned and a push for coordination with other departments in the process of recovery before expiry of the statutory time limit for such recovery.
- There were 446 cases pending for assessment as on 1 April 2022 which increased to 454 cases as on 31 March 2023.
- Delay in assessment affects the revenue deficit of the State.

Recommendation *The Department may take necessary steps to expedite the assessment to avoid permanent losses of revenue due to time-barred assessment.*

Evasion of Tax detected

The cases of Evasion of Tax detected by the Taxes and Excise and Narcotics Department, cases finalised and demands for additional tax raised are important indicator of revenue collection efforts of the State Government. Promptness in disposal of refund cases is an important indicator of the performance of the Department. High pendency of refund cases may indicate red tape, vested interest, etc. Details of evasion of tax detected is given in Table 2.7.

Table 2.7: Evasion of Tax detected

| Sl. No. | Head of Revenue | Cases pending as on 31 March 2022 | Cases detected during 2022-23 | Total | Assessment/ investigation completed and additional demand etc. raised | | No. of cases pending for finalisation as on 31 March 2023 |
|---------|---------------------------------------|-----------------------------------|-------------------------------|-------|---|-------------------------------|---|
| | | | | | No. of cases | Amount of demand (₹ in crore) | |
| 1. | 0039-State Excise | 1 | 3 | 4 | 0 | 0.00 | 4 |
| 2. | 0040-Taxes on Sales, Trade etc. | 105 | 0 | 105 | 0 | 0.00 | 105 |
| 3. | 0042-106 Taxes on Goods and Passenger | 59 | 5 | 64 | 5 | 0.02 | 59 |

Source: Information furnished by the Taxes and Excise and Narcotics Department, GoAP

It could be seen from **Table 2.7**, there were 168 cases pending as on 31 March 2023. Out of 168 cases, 105 and 59 cases were pending under Taxes on Sales, Trade etc. and Taxes Goods and Passenger. Details of refund cases was given in **Table 2.8**.

Table 2.8: Details of Refund Cases

| Sl. No. | Particulars | SGST | | VAT | |
|---------|---|--------------|---------------------|--------------|---------------------|
| | | No. of cases | Amount (₹ in crore) | No. of cases | Amount (₹ in crore) |
| 1. | Claims outstanding at the beginning of the year | 135 | 16.35 | 1 | 0.23 |
| 2. | Claims received during the year | 8 | 1.65 | 1 | 1.56 |
| 3. | Refunds made/ rejected during the year | 5 | 0.20 | 0 | 0.00 |
| 4. | Balance outstanding at the end of the year | 138 | 17.80 | 2 | 1.79 |

Source: Information furnished by the Taxes and Excise and Narcotics Department, GoAP

2.4.2.2 Non-Tax Revenue

Non -Tax Revenue refers to income of the State Government generated from sources other than Taxation, such as receipts from medical, police, interest receipts, dividends and profits, mining receipts and departmental receipts, etc. **Table 2.9** shows the trends and composition of Non-Tax Revenue during the period 2018-19 to 2022-23.

Table 2.9: Components of State's own Non-Tax Revenue

| (₹in crore) | | | | | |
|---|---------------|---------------|---------------|---------------|-----------------|
| Revenue Head | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| Interest Receipts | 88.01 | 62.49 | 34.12 | 47.21 | 93.13 |
| Dividends and Profits | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other non-tax receipts (i to vi) | 520.86 | 588.88 | 802.41 | 727.46 | 924.74 |
| (i) Minor Irrigation | 0.19 | 0.33 | 0.37 | 1.09 | 0.19 |
| (ii) Road Transport | 17.60 | 18.51 | 10.01 | 18.54 | 25.79 |
| (iii) Urban Development | 3.84 | 3.96 | 4.24 | 6.73 | 10.66 |
| (iv) Education | 3.58 | 6.48 | 6.55 | 6.49 | 14.26 |
| (v) Non-Ferrous mining | 56.30 | 72.04 | 83.00 | 95.95 | 131.45 |
| (vi) other or miscellaneous | 439.35 | 487.56 | 698.24 | 598.66 | 742.39 |
| Total | 608.87 | 651.37 | 836.53 | 774.67 | 1,017.87 |

Source: Finance Accounts of the respective year

Non-Tax Revenue of State increased by ₹409.00 crore (67.17 per cent) from ₹608.87 crore in 2018-19 to ₹1,017.87 crore in 2022-23. During 2022-23, the Non-Tax Revenue increased by ₹243.20 crore (31.39 per cent) over the previous year and it was due to an increase in other non-tax receipts by ₹197.28 crore (27.12 per cent) and Interest receipts by ₹45.92 crore (97.26 per cent).

During 2022-23, the Economic Sector contributed ₹765.74 crore (75.23 per cent) whereas General and Social Sector contributed only ₹110.98 crore (10.90 per cent) and ₹48.01 crore (4.72 per cent) respectively.

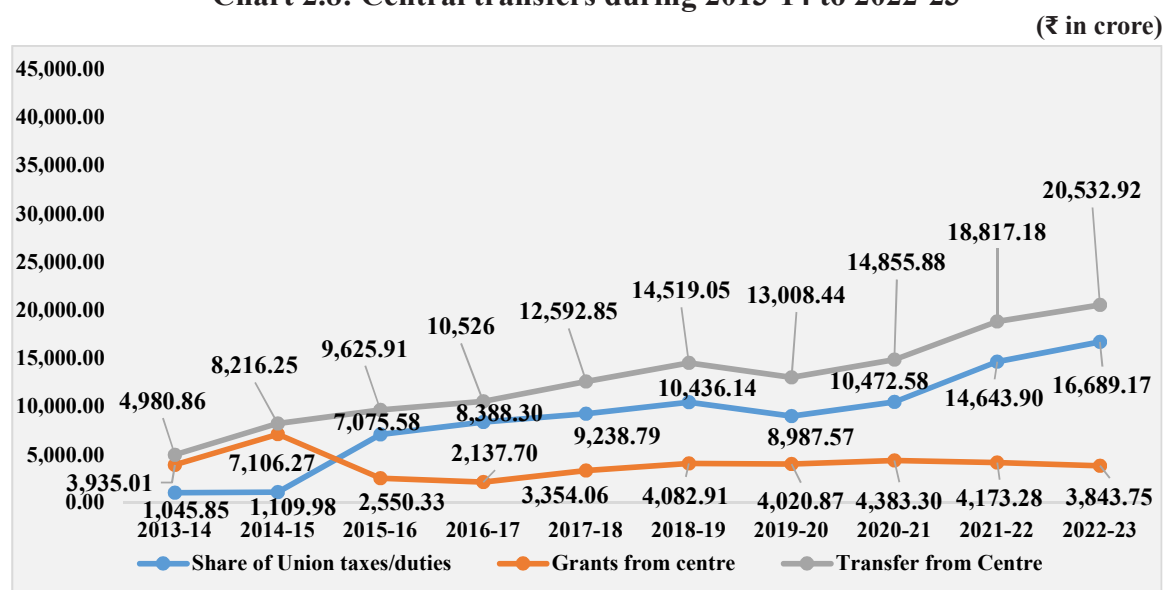
During 2022-23, Power was the prominent contributor under Economic Services which contributed ₹532.84 crore (69.58 per cent). Similarly, Public Works was the major contributor in General Services which contributed ₹64.47 crore (58.09 per cent).

CAGR of Non-Tax Revenue of the State for the five-year period (2018-19 to 2022-23) was 13.71 per cent and decadal CAGR of Non-Tax Revenue was 10.78 per cent. During the period 2021-22 to 2022-23, the CAGR of the State was 31.39 per cent. During 2022-23, Non-Tax Revenue was 4.28 per cent and 2.57 per cent of Total Revenue Receipts and GSDP of the State.

2.4.3 Transfers from the Centre

The Central Finance Commissions have been recommending transfers under two important heads, namely tax devolutions and GIA, for corresponding five-year periods. First, they recommend tax devolutions which are general purpose transfer without being earmarked for expenditure in any specific area and these devolutions are specified as a percentage of sharable tax revenue. Second, the FCs state the principles governing GIA and recommend the amount of specific purpose grants. The transfer from the Centre viz. share of Union Taxes/ Duties and GIA for the last ten years is depicted in **Chart 2.8**.

Chart 2.8: Central transfers during 2013-14 to 2022-23



Source: Finance Accounts of the respective year

Share of Union taxes/ duties had been showing an increasing trend from 2019-20, while GIA showed an inconsistent trend. During 2022-23, Transfer from the Centre increased by ₹1,715.74 crore (9.12 per cent) as increase in the receipts from the GoI had impacted on the Capital Expenditure of the State, which is meant for creation of infrastructure in the State as it was heavily dependent on transfer from the GoI.

Apart from this, more GIAs are being released by the GoI, directly to the implementing agencies instead of routing it through the Consolidated Fund of State Government (**Details in Paragraph 4.4**).

2.4.3.1 Share of Union taxes/ duties

The XV FC recommended that the vertical share of net proceeds of the Central Taxes to all the States combined be decreased from 42 to 41 per cent. It also took into account the various other factors like population, area, forest and ecology, income distance criteria, demographic performance and tax efforts of the State. Further, there was a change in the *inter se* share of taxes to States in the net proceeds of the taxes (Divisible pool) from 1.370 per cent (XIV FC) to 1.757 per cent (XV FC) due to the change in criteria. Thus, the State Government is now receiving more untied funds compared to the period of XIV FC.

In contrast to GIA, the share of Union taxes/ duties are an untied fund; hence their enhancement has provided financial freedom to the state government to prioritise its expenditure as per its policy and requirement. Actual devolution of State's share of Union taxes/ duties *vis-à-vis* XIV and XV FC projections for the period 2018-19 to 2022-23 are given in the **Table 2.10**.

Table 2.10: State's share in Union taxes/ duties: Actual devolution vis-à-vis FC projections

(₹ in crore)

| Year | FC recommendation | Projections by CFC | Actual tax devolution | Variations Excess (+)/ Short (-) |
|---------|---|--------------------|-----------------------|----------------------------------|
| 2018-19 | 1.370 per cent of net proceeds of all shareable taxes including service tax and 1.431 per cent of net proceeds of shareable service tax recommended by XIV FC | 12,240.00 | 10,436.14 | (-)1,803.86 |
| 2019-20 | | 14,176.00 | 8,987.57 | (-)5,188.43 |
| 2020-21 | 1.760 per cent of net proceeds of all shareable taxes recommended by XV FC for the year 2020-21 | 15,051.10 | 10,472.58 | (-)4,578.52 |
| 2021-22 | 1.757 per cent of net proceeds of all shareable taxes recommended by XV FC for the year 2021-22 to 2022-23 | 11,571.43 | 14,643.90 | 3,072.47 |
| 2022-23 | | 12,872.27 | 16,689.17 | 3,816.90 |

Source: XIV and XV FC report and Finance Accounts of the respective year.

During the period of XIV FC, the actual devolution of State's share in Union taxes/ duties was 14.73 and 36.60 per cent less in 2018-19 and 2019-20 respectively from the projections. During 2022-23, the actual devolution of State's share in Union taxes/ duties was ₹16,689.17 crore which was ₹3,816.90 crore (29.65 per cent) more than the projections made by the XV FC. Details of the composition of share of Union taxes/ duties during the five-year period (2018-19 to 2022-23) is given in Table 2.11.

Table 2.11: Details Composition of share of Union taxes/ duties for the period 2018-19 to 2022-23

(₹ in crore)

| Head | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
|--|------------------|-----------------|------------------|------------------|------------------|
| Central Goods and Services Tax (CGST) | 2,575.12 | 2,550.31 | 3,152.15 | 4,466.42 | 4,714.67 |
| Integrated Goods and Services Tax (IGST) | 205.50 | 0.00 | 0.00 | 0.00 | 0.00 |
| Corporation Tax | 3,628.32 | 3,064.45 | 3,130.39 | 4,429.74 | 5,598.20 |
| Taxes on Income other than Corporation Tax | 2,672.11 | 2,401.21 | 3,205.59 | 4,462.28 | 5,461.06 |
| Customs | 739.56 | 569.70 | 582.90 | 875.24 | 655.93 |
| Union Excise Duties | 491.48 | 396.08 | 355.91 | 350.06 | 205.76 |
| Service Tax | 98.42 | 0.00 | 39.53 | 45.09 | 26.09 |
| Other Taxes | 25.63 | 5.82 | 6.11 | 14.80 | 27.46 |
| Share of Union taxes/ duties | 10,436.14 | 8,987.57 | 10,472.58 | 14,643.90 | 16,689.17 |
| The growth rate over previous year | 12.96 | (-)13.88 | 16.52 | 39.83 | 13.97 |
| Percentage of share of Union taxes/ duties to Revenue Receipts | 64.44 | 60.37 | 61.16 | 68.97 | 70.16 |
| Percentage of share of Union taxes/ duties to GSDP | 41.19 | 29.93 | 33.84 | 41.27 | 42.07 |

Source: Finance Accounts of the respective year

The share of Union taxes/ duties increased by ₹6,253.03 crore (59.92 per cent) from ₹10,436.14 crore in 2018-19 to ₹16,689.17 crore in 2022-23. During 2022-23, the share of Union taxes/ duties increased by ₹2,045.27 crore (13.97 per cent). This was due to a significant increase under the Corporation tax by ₹1,168.46 crore (26.38 per cent), Taxes on income other than corporation tax by ₹998.78 crore (22.38 per cent) and Central Goods and Services Tax by ₹248.25 crore (5.56 per cent) which was offset by decrease under Customs by ₹219.31 crore (25.06 per cent), Union excise duties by ₹144.30 crore (41.22 per cent) and Service tax ₹19.00 crore (42.14 per cent).

The growth rate of share of Union taxes/ duties for the last five-year period (2018-19 to 2022-23) has been inconsistent. During 2022-23, share of Union taxes/ duties as a percentage of Revenue Receipts and GSDP was 70.16 and 42.07 per cent respectively.

2.4.3.2 Grants-in-Aid from GoI

Details of GIA from GoI for period from 2018-19 to 2022-23 is given in **Table 2.12**.

Table 2.12: GIA from the GoI during 2018-23

| Particulars | (₹ in crore) | | | | |
|---|-----------------|-----------------|----------------|-----------------|-----------------|
| | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| Centrally Sponsored Schemes | 3,056.16 | 3,193.17 | 2,877.45 | 3,220.05 | 2,848.20 |
| FC Grants | 124.57 | 380.98 | 782.05 | 439.69 | 210.40 |
| Other Transfer/ Other Grants to States | 902.18 | 446.72 | 723.80 | 513.54 | 785.15 |
| Total | 4,082.91 | 4,020.87 | 4,383.3 | 4,173.28 | 3,843.75 |
| Percentage of Increase/ Decrease over previous year | 21.73 | (-1.52) | 9.01 | (-4.79) | (-7.90) |
| Total Grants as a percentage of Revenue Receipts | 25.21 | 27.01 | 25.60 | 19.66 | 16.16 |
| Total Grants as a percentage of GSDP | 16.12 | 13.39 | 14.16 | 11.76 | 9.69 |

Source: Finance Accounts of the respective year

GIA from GoI decreased by ₹239.16 crore (5.86 per cent) from ₹4,082.91 crore in 2018-19 to ₹3,843.75 crore in 2022-23. During 2022-23, The GIA from GoI decreased by ₹329.53 crore (7.90 per cent) over the previous year. This was due to significant decrease by ₹371.85 crore (11.55 per cent) under Centrally Sponsored Schemes and by ₹229.29 crore (52.15 per cent) under FC Grants which was partially offset by increase in Other Grants to States by ₹271.61 crore (52.89 per cent). During the current year, the major contributor of GIA was Centrally Sponsored Scheme which contributed 74.10 per cent.

The Government estimated the GIA from GoI at ₹6,865.00 crore in the budget estimates while the GoI released ₹3,843.75 crore during the current year. During the current year GIA contributed 16.16 and 9.69 per cent of Revenue Receipts and GSDP. The quarter-wise flow of funds from GoI which has a bearing on the cash management of the state and smooth implementation of various schemes is shown in the **Table 2.13**.

Table 2.13: Details of fund flow from GoI

(₹ in crore)

| Particulars | Fund received during April-December | Percentage of Fund received during April-December | Fund received during January-March | Percentage of Fund received during January-March | Total Fund Received |
|--------------------------------------|-------------------------------------|---|------------------------------------|--|---------------------|
| State's share in Union taxes/ duties | 10,707.84 | 64.16 | 5,981.33 | 35.84 | 16,689.17 |
| GIA from GoI | 2,058.77 | 53.56 | 1,784.98 | 46.44 | 3,843.75 |
| Total | 12,766.61 | - | 7,766.31 | - | 20,532.92 |

Source: Monthly Civil Accounts, 2022-23

The flow of funds in respect of the State's share in Union taxes/ duties and GIA in FY 2022-23 was not evenly spread, as around 36 and 46 *per cent* of State's share in Union taxes/ duties and GIA were released in the last quarter of the financial year, thus sufficient time was not left with the State Government to utilise the funds which resulted in substantial savings as discussed in **Paragraph 3.3**.

Out of the Grants of ₹2,848.20 crore for Centrally Sponsored Schemes during 2022-23, the major recipients of the Grants were:

- **Pradhan Mantri Gram Sadak Yojana (PMGSY):** During the current year PMGSY receipts were ₹996.00 crore as Grants which were lower than the previous year (₹1,090.60 crore) by ₹94.60 crore (8.67 *per cent*).
- **National Health Mission:** State Government received ₹208.38 crore as Grants for National Health Mission with a decrease of ₹123.47 crore (37.21 *per cent*) over the previous year (331.85 crore).
- **National Education Mission:** National Education Mission received ₹280.67 crore as a Grants from the GoI which was lower than the previous year (₹289.53 crore) by ₹8.86 crore (3.06 *per cent*).
- **Mahatma Gandhi National Rural Employment Guarantee Programme (MGNREGP):** During the current year, it received ₹225.43 crore which was higher than the previous year (₹130.19 crore) by ₹95.24 crore (73.15 *per cent*).

Single Nodal Agency

The Department of Expenditure, Ministry of Finance, GoI vide Office Memorandum No. 1 (13)/PFMS/FCD/2020 dated 8 December 2021 provided that every State Government is required to designate a Single Nodal Agency (SNA) for implementing each Centrally Sponsored Scheme (CSS). The Single Nodal Agency will open single Nodal Account for each CSS at the State level in Scheduled Commercial Bank authorised to conduct business by the State Government. Further, as per the new procedure, it is the responsibility of the state government concerned to ensure that entire unspent amount is returned by all the Implementing Agencies to the Account of the Single Nodal Agency.

State Government transferred ₹4,242.00 crore in 2022-23. Out of total transfer, ₹2,342.16 crore was transferred through the fully vouched contingency bills and ₹1,899.84 crore was transferred through GIA bills. Detailed vouchers and supporting documents of actual expenditure were not received by the Principal Accountant General Office from the SNAs. Details of funds released from GoI to State and State to SNA is given in **Table 2.14**.

Table 2.14: Details of released of fund to Single Nodal Agency

(₹ in crore)

| Amount released by GoI to State | Central Share released from treasury to SNA | State share released from Treasury to SNA | Total released by Treasury to SNA | Total Expenditure | Balance in the Bank Account of SNA |
|---------------------------------|---|---|-----------------------------------|-------------------|------------------------------------|
| 2,830.38 | 3,204.40 | 991.47 | 4,242.00* | 5,989.69 | 1,925.53 |

Source: Public Financial Management System, 2022-23

*it includes unclassified amount of ₹46.13 crore

As on 31 March 2023, an amount of ₹1,925.53 crore, including both Central and State shares, were parked in SNA bank accounts of 68 schemes as detailed in **Appendix 2.3**. Details of schemes where ₹15.00 crore and above were lying unspent in SNA bank accounts are given below in the **Table 2.15**.

Table 2.15: Details of Schemes ₹15.00 crore and above parked in SNA bank accounts.

(₹ in crore)

| Particulars | Amount |
|--|--------|
| Revision of norms for Central Assistance Released to States/ UTs for meeting expenditure on intra-state movement handling of foodgrains and FPS dealers' margin under NFSA | 46.22 |
| Flexible Pool for RCH and Health System Strengthening, National Health Programme and national urban health Mission | 19.19 |
| Modernisation of Police Forces | 19.91 |
| Border Area Development Program | 28.41 |
| Jal Jeevan Mission (JJM)/ National Rural Drinking Water Mission | 538.35 |
| SBM-Rural (DWS) | 19.61 |
| Mission For Development of 100 Smart Cities | 84.61 |
| Urban Rejuvenation Mission-500 Cities | 16.05 |
| Swachh Bharat Mission (SBM) - Urban | 19.09 |
| Pradhan Mantri Jan Vikas Karyakaram | 18.41 |
| Indira Gandhi National Old Age Pension Scheme (IGNOAPS) | 36.9 |
| Pradhan Mantri Gram Sadak Yojna | 474.36 |
| National Rural Livelihood Mission | 24.71 |
| Pradhan Mantri Krishi Sinchayi Yojna-Watershed Development Component | 43.96 |
| Samagra Shiksha | 195.65 |
| Post Matric Scholarship-Tribal | 63.19 |

| Particulars | Amount |
|--|--------|
| Pradhan Mantri Adi Adarsh Gram Yojana | 21.68 |
| Har Khet Ko Pani | 17.69 |
| Saksham Anganwadi and Poshan2.0 (Umbrella ICDS-Anganwadi Services Poshan Abhiyan Scheme for Adolescent Girls National Creche Scheme) | 71.37 |
| Mission Vatsalya (Child Protection Services and Child Welfare Services) | 18.28 |

Source: Public financial Management System, 2022-23

As could be seen from the above table, the huge amount was parked in respect of Jal Jeevan Mission (₹538.35 crore), Pradhan Mantri Gram Sadak Yojana (₹474.36 crore).

Fifteenth Finance Commission Grants

The Fifteenth Finance Commission (XV FC) grants were provided to the States for Local Bodies and the State Disaster Response Fund (SDRF), Post devolution revenue deficit and State Disaster Response and Mitigation Fund (SDRMF). Details of grants provided by GoI are given in the **Table 2.16** below:

Table 2.16: Details of XV FC grants provided by GoI to the State

(₹ in crore)

| Classification | Recommendation of XV FC | | | Actual release by GoI | | | Release by State Government | | |
|----------------------------|-------------------------|---------------|---------------|-----------------------|---------------|-------------|-----------------------------|---------------|-------------|
| | 2020-21 | 2021-22 | 2022-23 | 2020-21 | 2021-22 | 2022-23 | 2020-21 | 2021-22 | 2022-23 |
| (i) Grants to PRIs | 231.00 | 170.00 | 177.00 | 173.25 | 142.75 | 0.00 | 115.75 | 200.50 | 0.00 |
| (a) Tied Grant | 115.50 | 102.00 | 106.20 | 57.75 | 108.75 | 0.00 | 57.75 | 108.75 | 0.00 |
| (b) Untied Grants | 115.50 | 68.00 | 70.80 | 115.50 | 34.00 | 0.00 | 57.75 | 91.75 | 0.00 |
| (ii) Grants to ULBs | 111.00 | 84.00 | 87.00 | 55.50 | 0.00 | 0.00 | 5.46 | 0.00 | 0.00 |
| SDRF | 200.00 | 200.00 | 210.40 | 250.00* | 200.00 | 210.40 | 278.35@ | 100.00 | 100.00 |
| SDMF | 50.00 | 50.00 | 52.60 | | 50.00 | 0.00 | | 0.00 | 50.00 |

Source: XV FC report, Finance Accounts of the respective year, and Information furnished by the respective Department.

* In light of the outbreak of COVID-19, MHA/NDMA extended the validity of the guidelines of XIV FC in operation up to 31 March 2021.

@ It includes ₹28.35 crore as central share pertaining to 2019-20.

- As against the amount of ₹578.00 crore recommended by the XV FC in respect of Panchayati Raj Institutions, GoI released only ₹316.00 crore.
- XV FC recommended ₹111.00 crore to ULBs while GoI released ₹55.50 crore during 2020-21. There was no release by GoI during the years 2021-22 and 2022-23. Further, it was noticed that the State Government released only ₹5.46 crore against the receipt of ₹55.50 crore from GoI to Urban Local Bodies.
- With respect to SDRF for the period 2020-21 to 2022-23, the entire amount as recommended by XV FC was released by GoI. Out of ₹200.00 crore received during 2021-22, the State Government released ₹100.00 crore in 2021-22 and the remaining

₹100.00 crore in 2022-23. Grants released by GoI during 2022-23 were not released by the State Government to the Department.

- GoI released ₹50.00 crore against SDRMF during 2021-22. The State Government transferred the same amount to the Department during 2022-23. The State Government had not received any amount from the GoI during 2022-23.

2.4.4 Capital Receipts

Details of Capital Receipts during 2018-19 to 2022-23 are given in **Table 2.17**.

Table 2.17: Trends in growth and composition of Capital Receipts

| (₹ in crore) | | | | | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Sources of Receipts | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| Capital Receipts | 1,210.05 | 1,797.74 | 1,522.00 | 1,489.56 | 2,484.42 |
| <i>Recovery of Loans and Advances</i> | <i>5.08</i> | <i>7.03</i> | <i>5.94</i> | <i>6.85</i> | <i>4.86</i> |
| Public Debt Receipts | 1,204.97 | 1,790.71 | 1,516.06 | 1,482.71 | 2,479.56 |
| Internal Debt | 1,204.97 | 1,790.71 | 1,283.09 | 1,111.52 | 915.45 |
| <i>Growth rate</i> | <i>(-)3.63</i> | <i>48.61</i> | <i>(-)28.35</i> | <i>(-)13.38</i> | <i>(-)17.64</i> |
| Loans and advances from GoI | 0.00 | 0.00 | 232.97 | 371.19 | 1,564.11 |
| <i>Growth rate</i> | <i>0.00</i> | <i>0.00</i> | <i>232.97</i> | <i>59.32</i> | <i>321.38</i> |
| <i>Rate of growth of debt Capital Receipts</i> | <i>(-)31.82</i> | <i>48.61</i> | <i>(-)15.34</i> | <i>(-)2.20</i> | <i>67.23</i> |
| <i>Rate of growth of non-debt capital receipts</i> | <i>(-)10.56</i> | <i>38.39</i> | <i>(-)15.50</i> | <i>15.32</i> | <i>(-)29.05</i> |
| <i>Rate of growth of GSDP</i> | <i>12.73</i> | <i>18.51</i> | <i>3.06</i> | <i>1,414.67</i> | <i>11.80</i> |
| <i>Rate of growth of Capital Receipts (per cent)</i> | <i>(-)31.75</i> | <i>48.57</i> | <i>(-)15.34</i> | <i>(-) 2.13</i> | <i>66.79</i> |

Source: Finance Accounts of the respective year

During 2022-23, Capital Receipts increased by 66.79 per cent over the previous year. During the five-year period, Capital Receipts increased two times from ₹1,210.05 crore in 2018-19 to ₹2,484.42 crore in 2022-23.

Public Debt Receipts consist of borrowings taken from the Market, Financial Institutions and Loans and Advances from the GoI. As can be seen from the **Table 2.17** above, the major sources of Public debt receipts for the State are Loans and advances from GoI which constitutes 63.08 per cent and Internal Debt which constitutes 36.92 per cent.

The State Government failed to achieve its target projected in MTFP. The State Government projected total outstanding liabilities would be ₹12,783.90 crore under rolling targets of MTFP while the actual outstanding liabilities was ₹15,646.75 crore, for 2022-23.

It was observed that the Government has been opting for the Market Borrowings year after year as the share of Market Borrowings (Market loans and Loans from financial institutions) during 2022-23 in Internal Debt was 67.73 per cent. This is because the Market Borrowings are in the nature of untied funds giving freedom to the State Government to spend the

money as per their priorities, while the negotiated loans from institutions like NABARD *etc.* are to be spent on identified schemes in specified sectors. Internal Debt consisted of Market Loans (₹559.00 crore during 2022-23 against ₹563.34 crore during 2021-22), Loans from Financial Institutions (₹348.70 crore during 2022-23 against ₹295.14 crore during 2021-22) and other loans (₹7.75 crore during 2022-23). State Government received ₹1,564.11 crore loans from GoI during 2022-23 as against ₹371.19 crore in 2021-22 which is ₹1,192.92 crore more than that in the previous year.

2.5 Application of resources

The State Government is vested with the responsibility of incurring expenditure within the framework of fiscal responsibility legislations, while at the same time ensuring that the ongoing fiscal correction and consolidation process of the State is not at the cost of expenditure directed towards development of capital infrastructure and social sector. Analysis of allocation of expenditure in the State is given in succeeding paragraphs.

2.5.1 Growth and composition of expenditure

The composition of expenditure (Total) comprises of Revenue expenditure, Capital expenditure and Loans and Advances.

Table 2.18 and **Chart 2.9** presents trend in Total Expenditure and its composition over five-year period (2018-19 to 2022-23).

Table 2.18: Total expenditure and its composition

| | (₹ in crore) | | | | |
|--------------------------------|--------------|-----------|-----------|-----------|-----------|
| Parameters | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| Total Expenditure (TE) | 18,177.07 | 15,927.80 | 18,215.65 | 22,337.53 | 25,528.40 |
| Revenue Expenditure (RE) | 12,429.48 | 12,218.73 | 13,087.50 | 15,846.64 | 17,417.67 |
| Capital Expenditure (CE) | 5,727.43 | 3,693.05 | 5,123.35 | 6,488.33 | 8,107.36 |
| Loans and Advances | 20.16 | 16.02 | 4.80 | 2.56 | 3.37 |
| GSDP | 25,334.86 | 30,025.23 | 30,945.33 | 35,483.76 | 39,671.24 |
| As a percentage of GSDP | | | | | |
| TE/ GSDP | 71.75 | 53.05 | 58.86 | 62.95 | 64.35 |
| RE/ GSDP | 49.06 | 40.69 | 42.29 | 44.66 | 43.91 |
| CE/ GSDP | 22.61 | 12.30 | 16.56 | 18.29 | 20.44 |
| Loans and Advances / GSDP | 0.08 | 0.05 | 0.02 | 0.01 | 0.01 |

Source: Finance Accounts of the respective year

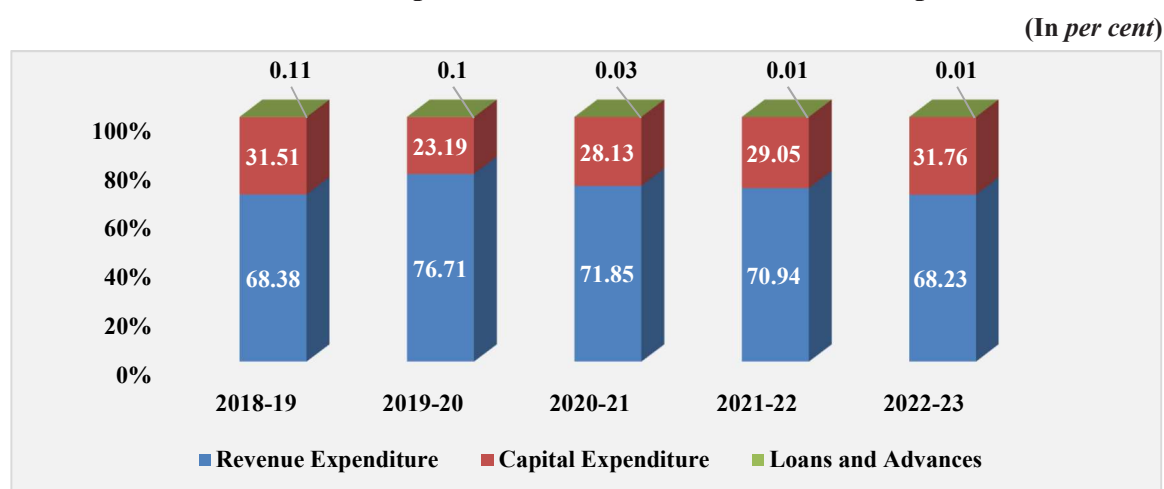
In absolute terms, the Total Expenditure (TE) showed an increasing trend during 2019-20 to 2022-23. TE increased by ₹7,351.33 crore (40.44 *per cent*) from ₹18,177.07 crore in 2018-19 to ₹25,528.40 crore in 2022-23. This was due to an increase in the Revenue Expenditure by ₹4,988.19 crore (from ₹12,429.48 crore in 2018-19 to ₹17,417.67 crore in 2022-23) and in the Capital Expenditure by ₹2,379.93 crore (from ₹5,727.43 crore in 2018-19 to ₹8,107.36 crore in 2022-23).

During 2022-23, the TE increased by ₹3,190.87 crore (14.28 per cent) over the previous year (₹22,337.53 crore) which was due to a significant increase in the Capital Expenditure by ₹1,619.03 crore (24.95 per cent) and Revenue Expenditure by ₹1,571.03 crore (9.91 per cent).

Further, as a percentage of GSDP, the TE showed inter-year variation during the five-year period. During the current year, the ratio of TE to GSDP increased by 1.40 per cent over the previous year due to an increase in ratio of CE to GSDP which was partially offset by a decrease in ratio of RE to GSDP.

During five-year period (2018-19 to 2022-23), the CAGR of TE was 8.86 per cent while the CAGR of Revenue receipts was 10.09 per cent. During 2022-23, the growth rate over the previous year of TE (14.28 per cent) was higher than the growth rate of the Revenue Receipts of the State (12.04 per cent), indicating that the increase of the Total expenditure was faster than that of Revenue Receipts. This partly contributed to non-achievement of the Fiscal target in the amended FRBM of the State. The decadal CAGR of the State was 14.70 per cent. **Chart 2.9** depicts the trend of the share of components in TE.

Chart 2.9: Total Expenditure: Trends in share of its components



Source: Finance Accounts of the respective year

Higher proportion of Revenue Expenditure to the Total Expenditure is not anticipated in economy for growth of the State as this trend leads to more borrowings which create burden on State exchequers. The share of Revenue Expenditure in TE experienced a significant increase in 2019-20, thereafter showed a decreasing trend and stood at 68.23 per cent in 2022-23. Decreasing trend in Revenue Expenditure is healthier sign for economy as it creates scope for servicing of debt as well as infrastructure development in the State.

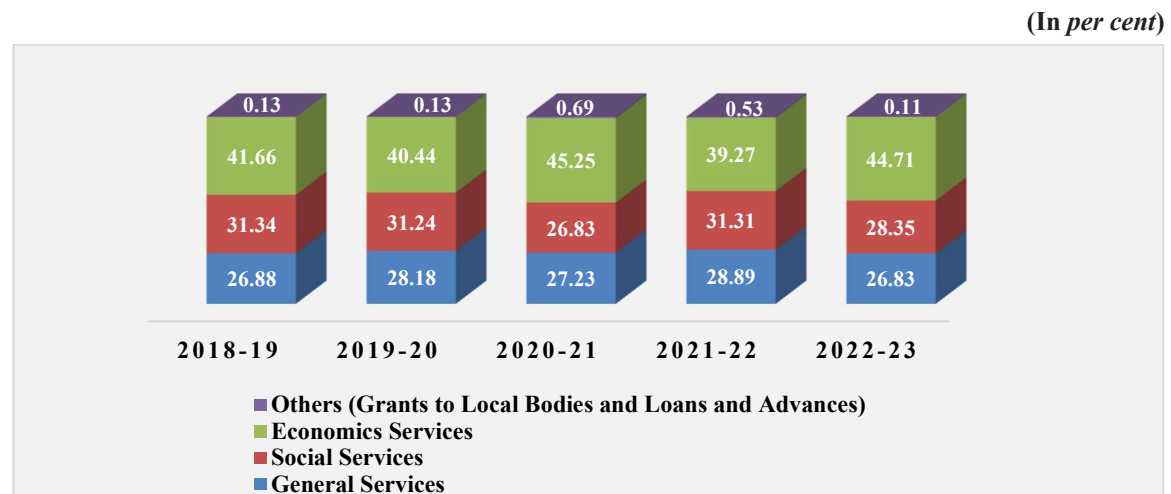
Higher proportion of Capital Expenditure to TE is anticipated as it would lead to the overall development of the economy. The share of Capital Expenditure in TE showed an increasing trend from 2019-20 to 2022-23. The relative share of Capital Expenditure during the current year (31.76 per cent) increased by 2.71 per cent over the previous year (29.05 per cent).

The *percentage* increase in Capital Expenditure was slightly more than the *percentage* increase in the Revenue Expenditure. The increase in Revenue Expenditure was 40.13 *per cent* over 2018-19 to 2022-23 whereas the increase in the Capital Expenditure was 41.55 *per cent* during the same period. During 2022-23, the Capital Expenditure increased by 24.95 *per cent* over the previous year, while the Revenue Expenditure increased by the 9.91 *per cent* indicating that the Government has been focussing on improving the infrastructure in the State. However, the investment in Capital expenditure remains unfruitful due to large number of incomplete projects as discussed in **Paragraph 2.6.1**. The relative share of various sectors of expenditure to TE is depicted in **Table 2.19** and **Chart 2.10**.

Table 2.19: Relative share of various sectors of expenditure

| Particulars | ₹ in crore) | | | | |
|--|-------------|----------|----------|----------|-----------|
| | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| General Services | 4,885.35 | 4,488.96 | 4,960.55 | 6,452.35 | 6,849.74 |
| Social Services | 5,695.99 | 4,975.82 | 4,885.09 | 6,994.97 | 7,237.26 |
| Economic Services | 7,571.83 | 6,441.63 | 8,243.42 | 8,772.31 | 11,412.51 |
| Others (Grants to Local Bodies and Loans and advances) | 23.90 | 21.39 | 126.59 | 117.90 | 28.89 |

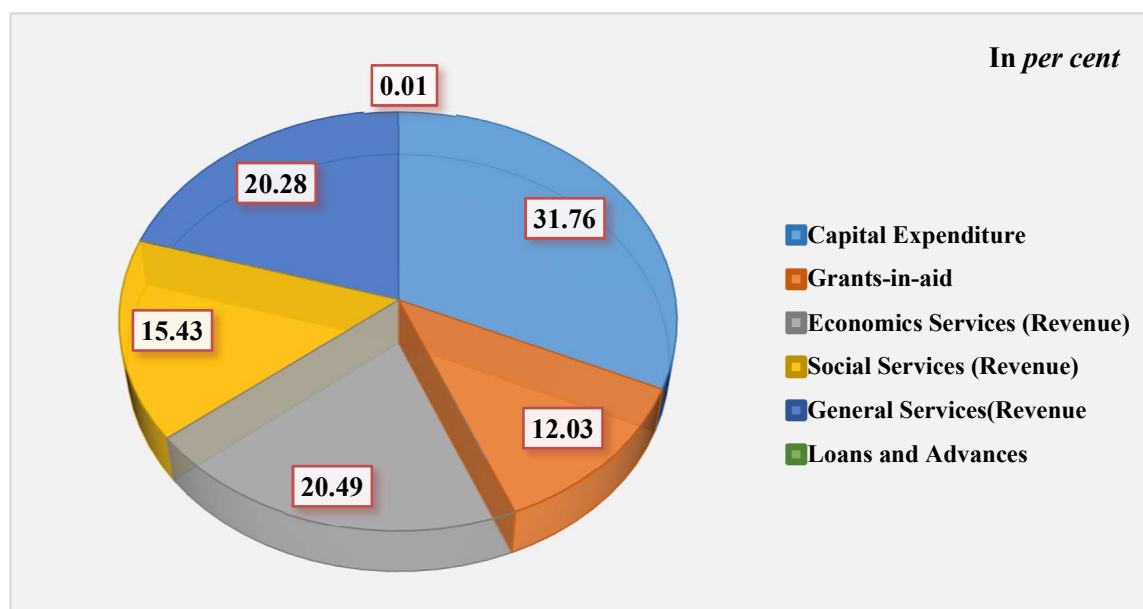
Source: Finance Accounts of respective year

Chart 2.10: Total expenditure - Expenditure by activities

Source: Finance Accounts of the respective year

Increase in relative share of the Economic Sector is a healthy sign for economy as it contributes to the infrastructure development, employment growth and Revenue generation for the State in future. Similarly, increase in the relative share of Social Sector is a positive indicator for social development of the State. Relative share of all the activities showed inconsistent trends for the last five-year period. During 2022-23, relative share of the Economic Sector increased over the previous year while General Sector and Social Sector experienced a decrease during the same period. **Chart 2.11** shows composition of expenditure by function.

Chart 2.11: Composition of expenditure by function during 2022-23



Source: Finance Accounts, 2022-23

2.5.2 Revenue Expenditure

Charges on maintenance, repair, upkeep and working expenses, which are required to maintain the assets in a running order as also all other expenses incurred for the day-to-day running of the organisation, including establishment and administrative expenses shall be classified as Revenue Expenditure.

The Revenue Expenditure, its rate of growth and its sector-wise distribution for the period from 2018-19 to 2022-23 are shown in **Table 2.20** and **Chart 2.12** respectively.

Table 2.20: Revenue Expenditure – Basic Parameters

| Parameters | ₹ in crore) | | | | |
|--|-------------|-----------|-----------|-----------|-----------|
| | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| Total Expenditure (TE) | 18,177.07 | 15,927.80 | 18,215.65 | 22,337.53 | 25,528.40 |
| GSDP | 25,334.86 | 30,025.23 | 30,945.33 | 35,483.76 | 39,671.24 |
| Revenue Expenditure (RE) | 12,429.48 | 12,218.73 | 13,087.50 | 15,846.64 | 17,417.67 |
| Revenue Receipts (RR) | 16,195.96 | 14,888.55 | 17,123.51 | 21,231.64 | 23,788.14 |
| Rate of Growth of RR (<i>per cent</i>) | 17.58 | (-)8.07 | 15.01 | 23.99 | 12.04 |
| Rate of Growth of RE (<i>per cent</i>) | 14.03 | (-)1.70 | 7.11 | 21.08 | 9.91 |
| Rate of Growth of GSDP | 12.73 | 18.51 | 3.06 | 14.67 | 11.80 |
| Revenue Expenditure as <i>percentage</i> of TE | 68.38 | 76.71 | 71.85 | 70.94 | 68.23 |
| RE/ GSDP (<i>per cent</i>) | 49.06 | 40.69 | 42.29 | 44.66 | 43.91 |
| RE as <i>percentage</i> of RR | 76.74 | 82.07 | 76.43 | 74.64 | 73.22 |
| Buoyancy of Revenue Expenditure with | | | | | |
| GSDP (ratio) | 1.10 | (-)0.09 | 2.32 | 1.44 | 0.84 |
| Revenue Receipts (ratio) | 0.80 | 0.21 | 0.47 | 0.88 | 0.82 |

Source: Finance Accounts of the respective year

Revenue Expenditure had an increasing trend during the period from 2019-20 to 2022-23. Revenue Expenditure increased by ₹4,988.19 crore (40.13 *per cent*) from ₹12,429.48 crore in 2018-19 to ₹17,417.67 crore in 2022-23. This was due to an increase in expenditure in the Economic Sector by ₹2,235.14 crore (54.07 *per cent*), General Sector by ₹1,381.23 crore (36.13 *per cent*) and Social Sector by ₹1,371.82 crore (30.67 *per cent*).

During 2022-23, the Revenue Expenditure increased by ₹1,571.03 crore at a CAGR 9.91 *per cent* over the previous year was due to increase in expenditure under Economic Sector (₹1,116.22 crore), General Sector (₹370.59 crore) and Social Sector (₹84.22 crore).

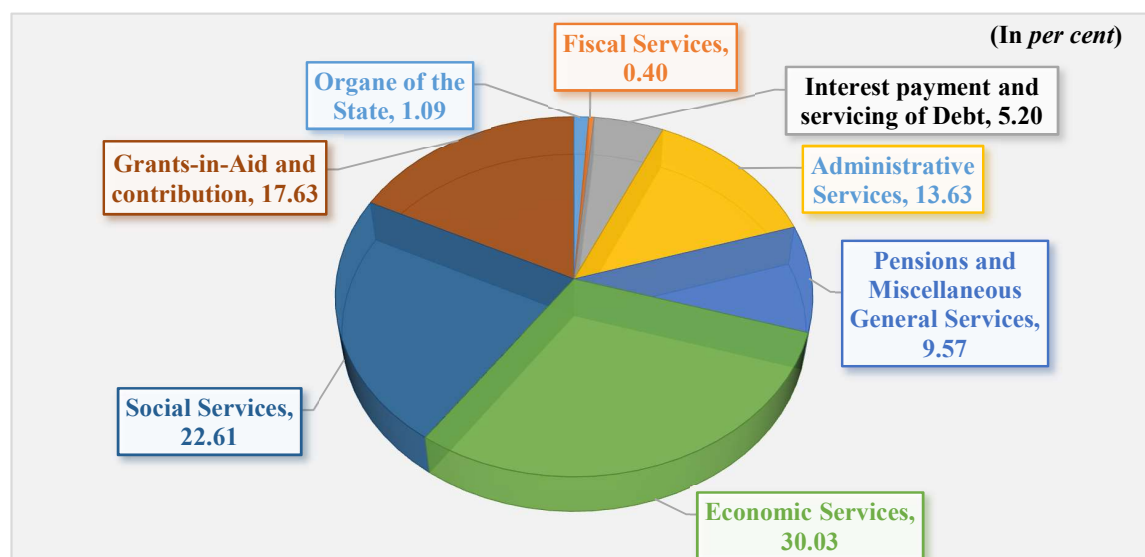
During 2022-23, there was a significant increase under the Economic Sector over the previous year by ₹1,116.22 crore (21.25 *per cent*) attributable to a significant increase in the expenditure on Crop Husbandry (₹146.76 crore), Rural Employment (₹220.78 crore), and Food, Storage and Warehousing (₹225.28 crore). The increase in expenditure under General Sector was due to the increase of expenditure in Pensions and other Retirement Benefits (₹302.93 crore), Interest payments (₹57.02 crore) and Public Works Department (₹53.91 crore). During the current year, marginal increase in Revenue expenditure under Social Sector, was attributable to increase of expenditure in General Education (₹370.99 crore), Medical and Public Health (₹137.68 crore) and Sports and Youth Services (₹38.56 crore) which was partially offset by decrease of expenditure in Water Supply and Sanitation (₹326.28 crore) and Urban Development (₹167.14 crore).

During the current year, the State Government projected total Revenue Expenditure of ₹18,201.55 crore in BE, whereas the FC assessed it only ₹11,363.00 crore while actual Revenue Expenditure was ₹17,417.67 crore. The actual Revenue Expenditure was higher than the projection made by the XV FC by ₹6,054.67 crore (53.28 *per cent*) and lower than the projection made by the State by ₹783.88 crore (4.31 *per cent*). This helped to achieve the Revenue Surplus projected in the MTFP during 2022-23.

The CAGR of the Revenue Expenditure for the five-year period (2018-19 to 2022-23) was 8.80 *per cent* while the CAGR of the Revenue Receipts for the same period was 10.09 *per cent*. This implies that Revenue Receipts is growing faster than Revenue Expenditure. This helped the State to maintain Revenue Surplus.

Buoyancy of Revenue Expenditure to Revenue Receipts was less than 'one' for the last five-years from 2018-19 to 2022-23. Buoyancy of Revenue Expenditure to GSDP had showed a decreasing trend from 2020-21 and stood at 0.84 *per cent* in 2022-23 which was less than one. This indicates that Revenue Expenditure was growing at a slower pace than that of the Revenue Receipts and GSDP. Thus, the higher growth of Revenue Receipts as compared to the Revenue Expenditure could finance more for Capital expenditure as discussed in **Paragraph 2.9.1.1** Sectoral distribution of Revenue Expenditure pertaining to 2022-23 is given in **Chart 2.12**.

Chart 2.12: Sector-wise Distribution of Revenue Expenditure during 2022-23



Source: Finance Accounts, 2022-23

Major portion of Revenue Expenditure was on Economic Sector (36.57 per cent) followed by Expenditure on Social Sector (33.55 per cent). The General Sector share was nearly 30 per cent, the major contributors were Administrative Services (13.63 per cent), Pensions and Miscellaneous (9.57 per cent) and Interest payment (5.20 per cent).

2.5.2.1 Major changes in Revenue Expenditure

Variations under significant Heads of Account with regard to the Revenue Expenditure of the State during the current year *vis-à-vis* the previous year, are shown in Table 2.21.

Table 2.21: Head-wise variations in the Revenue Expenditure over the previous year
(₹ in crore)

| Major Changes in Revenue Expenditure | | | |
|---|----------|----------|-----------|
| Major Heads of accounts | 2021-22 | 2022-23 | Variation |
| Increase | | | |
| General Sector | | | |
| 2055-Police | 1,143.09 | 1,191.29 | 48.20 |
| 2059-Public Works Department | 317.07 | 370.98 | 53.91 |
| 2071-Pensions and Other Retirement Benefits | 1,362.29 | 1,665.22 | 302.93 |
| Social Sector | | | |
| 2202-General Education | 2,162.29 | 2,533.28 | 370.99 |
| 2210-Medical and Public Health | 1,315.27 | 1,452.95 | 137.68 |
| Economic Services | | | |
| 2401-Crop Husbandry | 447.09 | 593.82 | 146.73 |
| 2408-Food, Storage and Warehousing | 120.34 | 345.62 | 225.28 |
| 2501-Special Programmes for Rural Development | 55.34 | 194.04 | 138.70 |

| Major Changes in Revenue Expenditure | | | |
|--------------------------------------|---------|---------|-----------|
| Major Heads of accounts | 2021-22 | 2022-23 | Variation |
| 2505-Rural Employments | 175.78 | 369.56 | 193.78 |
| Decrease | | | |
| Social Sector | | | |
| 2215-Water Supply and Sanitation | 960.26 | 633.97 | (-)326.29 |
| 2217-Urban Development | 380.85 | 213.71 | (-)167.14 |

Source: Finance Accounts of respective year

The sector-wise changes in Revenue Expenditure during 2022-23 over the previous year revealed the following:

- The major contributor for increase under General sector was Pension and Other Retirement Benefits, which increased by ₹302.93 crore (22.24 per cent) over the previous year. This was mainly due to the increase in the expenditure on Gratuities (₹225.92 crore), Commuted value of Pensions (₹104.37 crore) and Government contribution for Defined Contribution Pension Scheme (₹56.94 crore) and was partially offset by decrease in Superannuation and Retirement Allowances (₹82.22 crore).
- Revenue Expenditure increased by ₹53.91 crore under Public Works Departments due to the increase under Direction and Administration (₹52.72 crore) and Construction (₹14.14 crore) which was partially offset by decrease in Other Expenditure (₹14.75 crore).
- There was increase in Revenue Expenditure of ₹48.20 crore under 'Police'. This was due to the increase under District Police (₹36.02 crore), State Headquarters Police (₹8.30 crore) and Internal Security (₹7.85 crore).
- General Education was major contributor under Social Sector for changes in Revenue Expenditure over the previous year. It increased by ₹370.99 crore (17 per cent) due to significant increase of expenditure under Government Primary Schools by ₹436.29 crore and Secondary Education by ₹177.13 crore which was partially offset by decrease in expenditure under Other Expenditure (Elementary Education) by ₹480.13 crore.
- There was a significant increase in Revenue Expenditure under Food, Storage and Warehousing by ₹225.28 crore (18.72 per cent) over the previous year. This was due to the increase under Assistance to Public Sector and Other Undertakings by ₹228.79 crore (364 per cent) and Food subsidies by ₹46.03 crore (100 per cent) which was partially offset by decrease under Other Expenditure by ₹45.07 crore.
- Revenue Expenditure under Rural Employment increased by ₹193.78 crore (110 per cent) over the previous year. This was due to the significant increase under Tribal Area Plan by ₹363.56 crore which was partially offset by decrease under National Rural Employment Programme by ₹172.78 crore.

- Revenue Expenditure under Crop Husbandry increased by ₹146.73 crore (33 per cent) over the previous year (₹447.09 crore). This was due to significant increase under Horticulture and Vegetables Crops by ₹161.65 crore (368 per cent), Agricultural Farms by ₹109.57 crore (2,050 per cent) and Tribal Area Sub-Plan by ₹14.88 crore (100 per cent) which was partially offset by decrease under Other Expenditure by ₹148.33 crore and Development of Oil seeds by ₹11.39 crore.
- Revenue Expenditure under Special Programme for Rural Development by ₹138.70 crore (251 per cent). This was due to a significant increase in Revenue Expenditure under Tribal Area Plan by ₹118.99 crore (100 per cent) and Swarnajayanti Gram Swarozgar Yojana by ₹33.61 crore (81 per cent) which was partially offset by decrease in Revenue Expenditure under Other Expenditure by ₹13.92 crore.
- During 2022-23, Revenue Expenditure under Medical and Public Health increased by ₹137.68 crore (10 per cent). This was due to an increase under Hospital and Dispensaries by ₹169.99 crore (28 per cent), Other systems by ₹149.95 crore (100 per cent) and Prevention and Control of Diseases by ₹118.48 crore (83 per cent) which was partially offset by decrease under Other Expenditure (Urban Health Services-Allopathy) by ₹11.07 crore and Other Expenditure (Public Health) by ₹246.54 crore.
- There was a significant decrease in the Revenue Expenditure under Water Supply and Sanitation by ₹326.29 crore (34 per cent). This was due to a significant decrease in the expenditure under Rural Water Supply Programme by ₹292.08 crore (32 per cent) and Other Expenditure (Water Supply) by ₹29.99 crore (100 per cent).
- Revenue expenditure under Urban Development decreased over the previous year by ₹167.14 crore (44 per cent). This was due to significant decrease in expenditure under Other Expenditure (Integrated Development of Small and Medium Towns) by ₹75.25 crore (58 per cent) and Assistance to Municipalities/ Municipal Council by ₹68.74 crore (93 per cent).

Table 2.22: Trend of Major share of expenditure under Revenue in Social Sector

| Particulars | (₹ in crore) | | | | |
|-----------------------------|--------------|----------|----------|----------|----------|
| | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| General Education | 1,695.82 | 1,708.14 | 1,485.92 | 2,162.29 | 2,533.28 |
| Medical and Public Health | 1,035.30 | 926.15 | 914.12 | 1,315.27 | 1,452.95 |
| Social Security and Welfare | 272.28 | 352.69 | 216.37 | 333.33 | 348.53 |
| Water Supply and Sanitation | 732.58 | 752.31 | 885.35 | 960.26 | 633.97 |
| Urban Development | 223.9 | 96.78 | 222.65 | 380.85 | 213.71 |

Source: Finance Accounts of respective year

For the last five years (2018-19 to 2022-23), General Education and Medical and Public Health are the prominent contributors in Revenue Expenditure under Social Sector which contributed 43.35 and 24.88 *per cent* of Revenue Expenditure of Social Sector in 2022-23 respectively.

Composition of Major contributor under Revenue Expenditure on Economic Sector are given in **Table 2.23**.

Table 2.23: Trend of Major contributors under Revenue Expenditure on Economic Sector

| Head of Accounts | (₹ in crore) | | | | |
|-----------------------------------|--------------|---------|----------|----------|----------|
| | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| Crop Husbandry | 275.77 | 298.33 | 288.9 | 447.09 | 593.82 |
| Animal Husbandry | 120.26 | 179.76 | 147.28 | 188.46 | 151.35 |
| Forestry and Wild life | 270.36 | 211.02 | 242.93 | 300.53 | 313.13 |
| Food, Storage and Warehousing | 7.67 | 246.24 | 4.9 | 120.34 | 345.62 |
| Rural Employment | 193.32 | 184.02 | 224.5 | 175.78 | 369.56 |
| Other Rural Development Programme | 355.54 | 211.68 | 748.53 | 441.96 | 534.82 |
| Minor Irrigation | 196.09 | 189.28 | 337.44 | 358.38 | 329.14 |
| Energy | 939.71 | 893.96 | 1,044.17 | 1,380.18 | 1,425.31 |
| Village and Small Industries | 78.29 | 84.22 | 69.88 | 88.03 | 101.29 |
| Roads and Bridges | 1,036.66 | 890.38 | 652.33 | 875.78 | 888.38 |
| Road Transport | 107.1 | 110.31 | 115.29 | 154.08 | 209.74 |

Source: Finance Accounts of respective year

In respect of Economic Sector, the Energy (Power), Roads and Bridges, Crop Husbandry and Other Rural Development were the major contributors for the past five-years (2018-19 to 2022-23).

2.5.3 Committed and Inflexible Expenditure

Committed Expenditure of the State Government on Revenue Account consists of Interest Payments, expenditure on Salaries and expenditure on Pensions. It has first charge on Government resources. Increasing share of committed expenditure restricts Government's ability to incur developmental expenditure.

Apart from Committed Expenditure, there are certain items of inflexible expenditure which cannot be ordinarily altered or varied or are statutorily required on an annual basis, unlike for variable transactions such as capital expenditure *etc.* The inflexible expenditure consists of: (i) Devolution to local bodies, (ii) Statutory requirements of contribution to Reserve Funds, (iii) Recoupment of Contingency Fund, (iv) Transfer of cess to reserve fund/ other body, which are statutorily required, (v) Share contribution of CSS against the Central Fund received and (vi) Payment of interest on the balances of the interest-bearing funds as if they could have been invested and payment of interest on public debt as charged expenditure – 'Interest Payment'.

Upward trend in committed expenditure leaves the Government with lesser flexibility for development sector. Trend analysis of committed and inflexible expenditure and its components is depicted in **Table 2.24** and share of committed expenditure in total Revenue Expenditure during 2018-19 to 2022-23 is shown in **Chart 2.13**.

Table 2.24: Components of Committed and Inflexible Expenditure

(₹ in crore)

| Components of Committed Expenditure | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
|---|------------------|------------------|------------------|------------------|------------------|
| Salaries and Wages | 5,351.95 | 6,023.86 | 6,125.12 | 6,770.84 | 7,576.05 |
| <i>Salaries (Normal)</i> | 4,372.49 | 4,917.24 | 5,058.48 | 5,568.44 | 6,233.10 |
| <i>Salaries (GIA)</i> | 574.93 | 598.51 | 548.82 | 670.97 | 785.93 |
| <i>Wages</i> | 404.53 | 508.11 | 517.82 | 531.43 | 557.02 |
| Expenditure on Pensions | 894.37 | 882.31 | 1,085.32 | 1,362.29 | 1,664.98 |
| Interest Payments | 526.10 | 614.53 | 752.34 | 777.62 | 834.64 |
| Total | 6,772.42 | 7,520.70 | 7,962.78 | 8,910.75 | 10,075.67 |
| Components of Inflexible Expenditure | | | | | |
| Statutory devolution to Local Bodies | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Contribution to Reserve Fund | 240.50 | 246.95 | 268.50 | 211.61 | 87.74 |
| <i>Sinking Fund</i> | 240.00 | 240.00 | 240.00 | 200.00 | 70.00 |
| <i>Guarantee Redemption Funds</i> | 0.50 | 0.50 | 0.50 | 0.50 | 1.08 |
| <i>State share to SDRF/SDRMF</i> | 0.00 | 6.45 | 28.00 | 11.11 | 16.66 |
| Recoupment of Contingency Fund | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Transfer of cess to reserve fund/ other body | 26.27 | 0.00 | 0.00 | 0.00 | 19.30 |
| Share contribution of CSS against the Central Fund Received | 1,767.25 | 1,646.3 | 432.03 | 1,079.05 | 946.51 |
| Payment of interest on the Balances of the interest-bearing funds as if they could have been invested and payment of interest on public debt as charged expenditure-Interest payment | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | 2,034.02 | 1,893.25 | 700.53 | 1,290.66 | 1,053.55 |
| As a percentage of Revenue Receipts | | | | | |
| Revenue Receipts | 16,195.96 | 14,888.55 | 17,123.51 | 21,231.64 | 23,788.14 |
| Salaries and Wages | 33.04 | 40.46 | 35.77 | 31.89 | 31.85 |

| Components of Committed Expenditure | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
|--|------------------|------------------|------------------|------------------|------------------|
| Expenditure on Pensions | 5.52 | 5.93 | 6.34 | 6.42 | 7.00 |
| Interest Payments | 3.25 | 4.13 | 4.39 | 3.66 | 3.51 |
| Total | 41.81 | 50.52 | 46.50 | 41.97 | 42.36 |
| Inflexible Expenditure | | | | | |
| Total | 12.56 | 12.72 | 4.09 | 6.08 | 4.43 |
| As a percentage of Revenue Expenditure | | | | | |
| Revenue Expenditure | 12,429.48 | 12,218.73 | 13,087.50 | 15,846.64 | 17,417.67 |
| Salaries and Wages | 43.06 | 49.30 | 46.80 | 42.73 | 43.50 |
| Expenditure on Pensions | 7.20 | 7.22 | 8.29 | 8.60 | 9.56 |
| Interest Payments | 4.23 | 5.03 | 5.75 | 4.91 | 4.79 |
| Total | 54.49 | 61.55 | 60.84 | 56.24 | 57.85 |
| Inflexible Expenditure | | | | | |
| Total | 16.36 | 15.49 | 5.35 | 8.14 | 6.05 |
| Non-Committed RE | 5,657.06 | 4,698.03 | 5,124.72 | 6,935.89 | 7,342.00 |
| Non-Committed RE as a percentage of RE | 45.51 | 38.45 | 39.16 | 43.77 | 42.15 |
| Non-Committed RE as a percentage of TE | 31.12 | 29.50 | 28.13 | 31.05 | 28.76 |
| Subsidies | 8.22 | 0.40 | 17.85 | 0.00 | 0.00 |
| Subsidies as a percentage of Non-Committed expenditure | 0.15 | 0.01 | 0.35 | 0.00 | 0.00 |

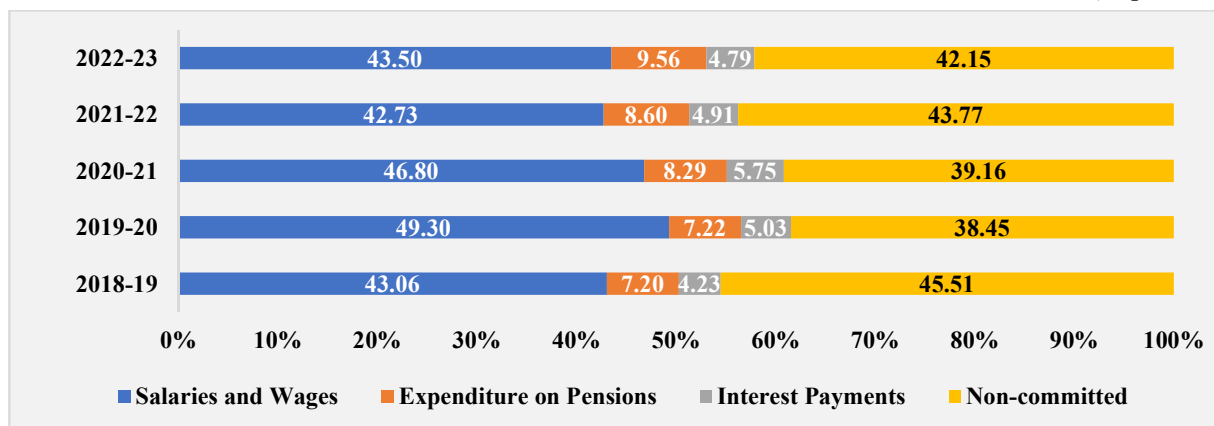
Source: Finance Accounts of respective year

Arunachal Pradesh had completely curbed the subsidies in 2021-22 and made no expenditure under this head in 2022-23.

Committed expenditure increased by ₹3,303.25 crore (48.78 per cent) from ₹6,772.42 crore in 2018-19 to ₹10,075.67 crore in 2022-23. During the current year, Committed Expenditure increased by ₹1,164.92 crore (13.08 per cent) over the previous year (₹8,910.75 crore.). This was due to an increase in the Expenditure on Salaries and Wages by ₹805.21 crore (11.89 per cent), on Pensions by ₹302.69 crore (22.22 per cent) and on Interest payments by ₹57.02 crore (7.33 per cent). The relative share of Committed Expenditure in Revenue Receipts showed a fluctuating trend during the five-year period (2018-19 to 2022-23). During 2022-23, Committed expenditure constituted about 42.36 per cent of the Revenue Receipts. The share of committed expenditure in Total Revenue Expenditure during the last five years is depicted in **Chart 2.13**.

Chart 2.13: Share of Committed expenditure in Revenue Expenditure

(In per cent)



Source: Finance Accounts of the respective year

As evident from the **Table 2.24**, the committed expenditure hovered around 54.49 to 61.55 *per cent* of Revenue Expenditure over the past five-years which is quite high. The high share of the committed expenditure in the total Revenue Expenditure indicates that Government incurred less amount for economic development, social welfare schemes, and maintenance of assets. Greater reliance on market borrowings by Government in recent years has led to increased committed liabilities on Interest Payments.

The components of inflexible expenditure which includes Statutory devolution to Local Bodies, contributions to the Reserve Funds, recoupment of Contingency Fund, transfer to cess to reserve funds/ other body and share contribution of CSS against the Central Fund *etc.*, showed an inconsistent trend during the period 2018-19 to 2022-23. As a *percentage* of the Revenue Expenditure, it decreased from 16.36 *per cent* to 6.05 *per cent*. The inflexible expenditure (₹1,053.55 crore), during 2022-23, decreased by ₹237.11 crore (18.36 *per cent*) over the previous year (₹1,290.66 crore) due to decrease in Contribution to Reserve Fund (₹211.61 crore in 2021-22 to ₹87.74 crore in 2022-23) and Share contribution of CSS against the Central Fund Received (₹1,079.05 crore in 2021-22 to ₹946.51 crore in 2022-23).

Component-wise analysis is given in the succeeding paragraphs.

2.5.3.1 Salaries and Wages

Salaries and Wages increased by ₹2,224.10 crore (41.56 *per cent*) from ₹5,351.95 crore in 2018-19 to ₹7,576.05 crore in 2022-23. During 2022-23, the Salaries and Wages has been the prominent contributor in the Committed Expenditure as it alone accounted for 31.85 *per cent* of the Revenue Receipts and 43.50 *per cent* of the Revenue Expenditure.

As *percentage* of Revenue Receipts and Revenue Expenditure, it has a fluctuating trend for the past five years (2018-19 to 2022-23). During 2022-23, Salaries and Wages increased by 11.89 *per cent* over the previous year while the Revenue Receipts and Revenue Expenditures increased by 12.04 and 9.91 *per cent* over the same period respectively.

During the current year, the State Government projected Salaries and Wages of ₹8,414.02 crore in MTFP while the actual Salaries and Wages was ₹7,576.05 crore.

2.5.3.2 Interest Payments

Interest Payments comprise of interest on Internal Debt, Small Savings, Provident Funds, Loans and Advances from GoI. Interest payments increased by ₹308.54 crore (58.65 per cent) from ₹526.10 crore in 2018-19 to ₹834.64 crore in 2022-23. The increase over the previous year was ₹57.02 crore (7.33 per cent). The position of the interest payments *vis-à-vis* XV FC recommendations and MTFP projections during the current year is given in the **Table 2.25**.

Table 2.25: Interest Payments in the year 2022-23

| (₹ in crore) | | | |
|--------------|------------------|---|--------|
| Year | XV FC assessment | Assessment of State Government in Budget (MTFP) | Actual |
| 2022-23 | 844.00 | 852.53 | 834.64 |

Source: XV FC Report, Budget Documents and Finance Account, 2022-23

2.5.3.3 Pension Payments

There were 34,907 pensioners (34,731 government pensioners and 176 political pensioners) as on 31 August 2023 in Arunachal Pradesh.

The Pension Payments (including other Retirement Benefits) increased by ₹770.61 crore (86.61 per cent) from ₹894.37 crore in 2018-19 to ₹1,664.98 crore in 2022-23. During 2022-23, the pensions payments increased by ₹302.69 crore (22.22 per cent) over the previous year (₹1,362.29 crore). This was mainly due to the revision of pensions consequent to the implementation of Pay Revision Commission Report which recommended enhancement of pensions.

The position of the Pension Payments *vis-à-vis* XV FC recommendations and MTFP projections during the current year is given in the **Table 2.26**.

Table 2.26: Pension Payments in the year 2022-23

| (₹ in crore) | | | |
|--------------|------------------|---|----------|
| Year | XV FC assessment | Assessment of State Government in Budget (MTFP) | Actual |
| 2022-23 | 1,277 | 1,849.00 | 1,664.98 |

Source: XV FC Report, Budget Documents and Finance Account, 2022-23

2.5.3.4 Undischarged liabilities in National Pension System

The GoI introduced a defined, contribution based National Pension System (NPS) to cover all new entrants to the Government service on 01 April 2004. The interim Pension Fund Regulatory and Development Authority (PFRDA) was established (October 2003) by GoI. The PFRDA, being regulator for NPS, had been authorised by the GoI to appoint/ establish various intermediaries in the system, such as Central Record Keeping Agency (CRA), Pension Funds Trust for NPS, Custodian Banks, etc. PFRDA appointed National Securities

Depository Limited (NSDL) as the CRA for a period of 10 years from 01 December 2007 for performing the functions of record keeping, accounting, administration and customer services for subscribers to the schemes of pension funds approved by PFRDA. The system of CRA is being continued even after the stipulated initial period of 10 years and it would continue till it is surrendered by the State Government or suspended by the Authority. Further, three pension Fund Managers, a Custodian and a Trustee Bank have also been appointed.

Under NPS, the option to join new system was available to the State Governments. According to terms of the scheme, both the Government and employees were to contribute 10 *per cent* each of basic pay and dearness allowance and the entire amount was to be transferred to the designated fund manager through NSDL/ Trustee Bank.

The Government of Arunachal Pradesh opted for NPS for its employees recruited on or after 01 January 2008. It was observed that the Government has not been contributing its share regularly. The contributions received from both the Government and employees were to be initially credited to the Major Head 8342-117 under Deposit and Advances and thereafter to be transferred to NSDL/ Trustee Bank by debiting the same Major Head of Account. However, the State Government is not following the above accounting procedure (*i.e.*, passing the amounts through Public Account). Instead, the State Government adopted a method of routing the amounts through a current and a savings account (at SBI, Naharlagun and SBI, Itanagar respectively) outside the Government accounts.

There were 27,906 employees who were covered under NPS as on 31 August 2023 and out of them, the Permanent Retirement Account Number (PRAN) were issued to 27,412 employees. Total number of employees whose PRAN was not generated were 494. The PRAN of such subscribers were not generated due to non-receipt of Common Subscriber Registration Form (CSRF) which is mandatory for opening of PRAN Account.

Public Account (Major Head-8342) had opening balance of ₹10.71 crore which was mostly a legacy balance. The State Government transferred ₹0.57 crore (₹0.287 crore as employees' contribution *plus* ₹0.287 crore as Government contribution) from this Public Account to the Savings Account (at SBI, Itanagar) and ₹0.30 crore (₹0.15 crore as employees' contribution *plus* ₹0.15 crore as Government contribution) to NSDL/ Trustee bank. No fresh amount was credited to this Public Account (*i.e.*, 8342 Major Head) during 2022-23. Thus, the Public Account had a balance of ₹9.84 crore as on 31 March 2023 which should be transferred to NSDL/ Trustee bank.

The current account (at SBI, Naharlagun) had an opening balance of ₹2.57 crore as Employee's contribution without any component of Employer's contribution. During 2022-23, the State Government credited an amount of ₹2.13 crore (Employees' contribution) to this current account. Thus, the current account had a balance of ₹4.70 crore as on 31 March 2023 which should be transferred to NSDL/ Trustee bank.

The saving account (at SBI, Itanagar) had a balance of ₹81.29 crore (comprising Employee's contribution of ₹67.12 crore *plus* Government's contribution of ₹5.78 crore and accrued Interest of ₹8.39 crore). During 2022-23, the State Government transferred ₹309.28 crore (₹140.11 crore as employees' contribution *plus* ₹166.46 crore as Government contribution and accrued interest of ₹2.71 crore) to this saving account. Thereafter, out of the available amount of ₹390.57 crore in the saving account (at SBI, Itanagar), State Government transferred ₹305.93 crore to NSDL, and withdrew ₹1.75 crore from saving account due to wrong booking of the amount. Thus, Saving Account had a closing balance of ₹82.89 crore as on 31 March 2023. This balance of ₹82.89 crore should be transferred to NSDL/ Trustee bank.

Out of total ₹97.43 crore, ₹9.84 crore was lying in Public Account (Major Head 8342), ₹4.70 crore was lying in the current account (at SBI, Naharlagun) and ₹82.89 crore was lying in the Saving Account (at SBI, Itanagar) which was yet to be transferred to NSDL as on 31 March 2023. Non-transfer of this amount to NSDL for investment in the authorised securities has implications on the social security of the employees covered under the NPS. The summary of transactions of NPS during the last five years is given **Table 2.27**.

Table 2.27: The summary of the transactions under NPS

(₹ in crore)

| Year | Opening Balance | Details of Contribution | | | Short contribution by Employer | Transfer to NSDL | Closing Balance (2+6-7) | Interest liability {(2+5)*Rate} |
|---------|-----------------|-------------------------|----------|-------------|--------------------------------|------------------|-------------------------|---------------------------------|
| | | Employee | Employer | Total (3+4) | | | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 2018-19 | 95.87 | 74.40 | 66.45 | 140.85 | 7.95 | 125.19 | 111.53 | 8.31 |
| 2019-20 | 111.53 | 87.05 | 64.56 | 151.61 | 22.49 | 127.06 | 136.08 | 10.72 |
| 2020-21 | 136.08 | 98.73 | 112.27 | 211 | - | 248.88 | 98.2 | 9.66 |
| 2021-22 | 98.20 | 111.56 | 108.85 | 223.55 | 2.71 | 227.16 | 94.59 | 0.96 |
| 2022-23 | 94.59 | 141.61 | 165.79 | 310.10* | 17.66 | 307.26# | 97.43 | 5.26** |

Source: Finance Accounts of the respective year

* It includes ₹2.71 crore credit of interest from Saving Accounts

**Total interest liabilities was ₹5.26 crore (₹7.97 crore-₹2.71 crore)

Total ₹1.75 crore was withdrawn due to wrong transfer

The State Government had to contribute the employer's share of ₹183.45 crore (10 *per cent* from April to June 2022 and 14 *per cent* from July 2022 to March 2023) and the Government contributed only 165.79 crore. Thus, there was a short contribution of ₹17.66 crore by the State Government in the current year under NPS.

The State Government (Secretary, Finance) in its reply stated that a dedicated team has already been formed with a target to settle the issue by 31 December 2023. The State Government also claimed that all contributions collected had been passed on to NSDL and the supporting documents would be furnished at earliest. However, no supporting documents had been received from the State Government as of October 2023.

2.5.4 Financial assistance by the State Government to Local Bodies and Other Institutions

The quantum of assistance provided by way of Grants and Loans to Local Bodies and others from 2018-19 to 2022-23 is presented in **Table 2.28**.

Table 2.28: Financial Assistance to Local Bodies and Other Institutions etc.

| (₹ in crore) | | | | | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Financial Assistance to Institutions | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| (A) Local Bodies | | | | | |
| Municipal Corporations and Municipalities | 3.74 | 5.37 | 5.56 | 5.83 | 6.00 |
| Panchayati Raj Institutions | 0 | 0 | 116.23 | 109.51 | 19.52 |
| Total (A) | 3.74 | 5.37 | 121.79 | 115.34 | 25.52 |
| (B) Others | | | | | |
| Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.) | 5.43 | 0.00 | 0.00 | 1.22 | 1.30 |
| Cultural Institutions/ Voluntary Organisations for promotion of Arts and Culture | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| State Institute of Rural Development | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Social Welfare | 0.54 | 0.00 | 0.00 | 0.00 | 0.00 |
| Food, Storage and Warehousing | 7.67 | 208.6 | 0 | 62.78 | 292.30 |
| Co-operation | 1.15 | 0.92 | 1.47 | 16.96 | 0.50 |
| Other Institutions ² | 36.1 | 23.36 | 16.26 | 23.58 | 21.84 |
| Total (B) | 50.89 | 232.88 | 17.73 | 104.54 | 315.94 |
| (C) GIA | | | | | |
| GIA on Salary | 574.93 | 598.51 | 548.82 | 670.97 | 785.93 |
| GIA for creation of Capital Assets | 300.58 | 112.47 | 39.83 | 375.64 | 547.44 |
| GIA for non-salary | 993.94 | 621.06 | 1,594.71 | 1,515.81 | 1,736.89 |
| GIA given in kind | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total (C) | 1,869.45 | 1,332.04 | 2,183.36 | 2,562.42 | 3,070.26 |
| Total (A+B+C) | 1,924.08 | 1,570.29 | 2,322.88 | 2,782.30 | 3,411.73 |
| Revenue Expenditure | 12,429.48 | 12,218.73 | 13,087.50 | 15,846.64 | 17,417.67 |
| Assistance as <i>percentage</i> of Revenue Expenditure | 15.48 | 12.85 | 17.75 | 17.56 | 19.59 |

Source: Finance Accounts of the respective year

- The share of Financial Assistance in Revenue Expenditure increased from 15.48 *per cent* in 2018-19 to 19.59 *per cent* during 2022-23. No financial assistance was extended to rural local bodies from the State funds during the last five -years period.
- Financial assistance extended to the Local Bodies decreased significantly by ₹89.82 crore (77.87 *per cent*) over the previous year (₹115.34 crore). This was

² Arunachal Pradesh Council of Science and Technology (₹19.92 crore) and Centres for Earth Sciences and Himalayan Studies (₹1.92 crore)

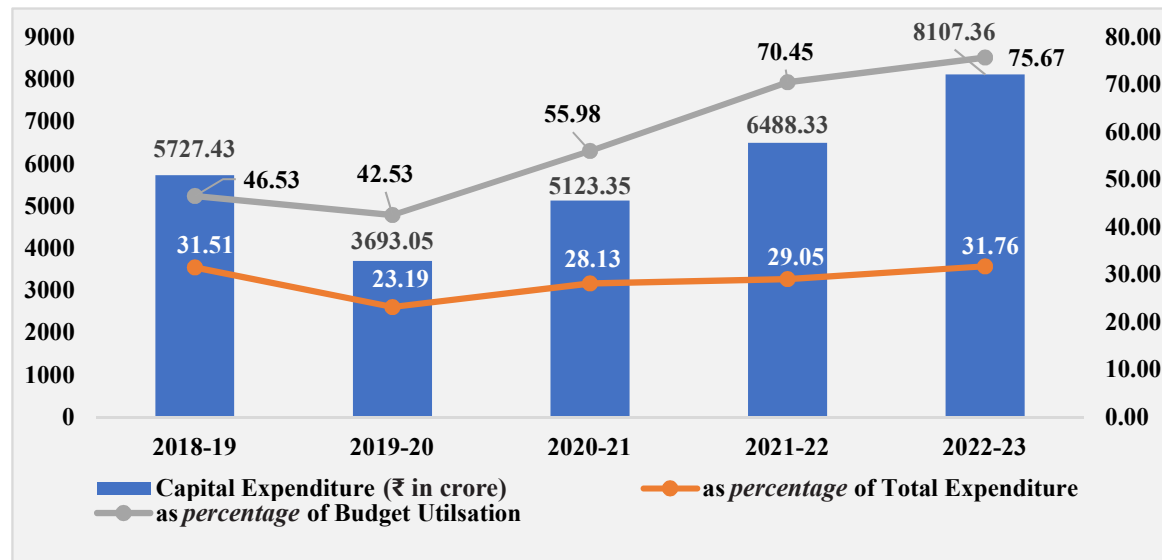
due to the significant decrease in assistance by ₹89.99 crore (82.18 per cent) to the Panchayati Raj Institutions (PRIs).

- During 2022-23, the assistance to Other Institutions increased by ₹211.41 crore (202.23 per cent) over the previous year (₹104.54 crore). This was due to a significant increase in the financial assistance towards Food, Storage and Warehousing by ₹229.53 crore over the previous year (₹62.78 crore).
- The financial assistance as GIA increased by ₹1,487.65 crore (77.32 per cent) from ₹1,924.08 crore in 2018-19 to ₹3,411.73 crore in 2022-23. During 2022-23, GIA increased by ₹629.43 crore (22.62 per cent) over the previous year which was due to increase in GIA for non-salary by ₹221.08 crore, GIA for creation of Capital assets by ₹171.80 crore and GIA on salary by ₹114.96 crore.

2.5.5 Capital Expenditure

All charges for the first construction of a project as well as charges for intermediate maintenance of the work while not opened for service and also charges for such further additions and improvements as may be sanctioned under the rules made by competent authority shall be classified as capital expenditure. Capital expenditure in both Centre and State, is being met from budgetary support and extra budgetary resources/ off budget. It also includes investments made in Companies/ Corporations. The trends of Capital Expenditure and its *percentage* of Total Expenditure over the period 2018-23 is given in Chart 2.14.

Chart 2.14: Capital Expenditure in the State



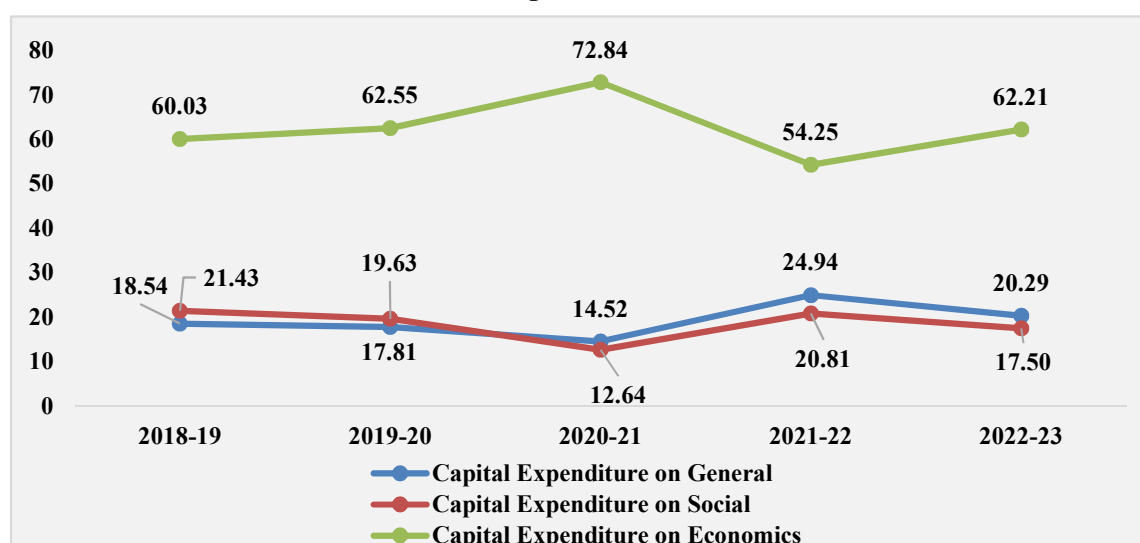
Source: Finance Accounts of the respective year

Capital Expenditure increased by ₹2,379.93 crore (41.55 per cent) from ₹5,727.43 crore in 2018-19 to ₹8,107.36 crore in 2022-23. This was due to the significant increase in Capital Expenditure under Economic Sector by ₹1,605.54 crore (46.70 per cent), Social Sector by ₹583.16 crore (54.91 per cent) and General Sector by ₹197.23 crore (16.15 per cent).

During 2022-23, Capital Expenditure increased by ₹1,619.03 crore (24.95 per cent) over the previous year (₹6,488.33 crore) which was due to a significant increase in the Economic Sectors by ₹1,523.98 crore and marginal increase experienced in Social Sector (₹68.25 crore) and General Sector (₹26.80 crore) over the previous year. Under Economic Sector, the Capital Expenditure increased in Roads and Bridges by ₹1,170.45 crore and Power Projects by ₹113.25 crore which was partially offset by decrease under Other Agricultural Programmes by ₹13.67 crore, Civil Aviation by ₹26.10 crore and North Eastern Areas by ₹30.86 crore.

There has been increasing trend in *percentage* of the Capital Expenditure to Total Expenditure during the period from 2019-20 to 2022-23 as it reached at 34.08 per cent in 2022-23 from 23.19 per cent in 2019-20. Similarly, utilisation of budget for Capital expenditure showed an increasing trend from 2019-20 to 2022-23 and stood at 75.67 per cent in 2022-23. The Sector-wise *percentage* share in Capital Expenditure is given in **Chart 2.15**.

Chart 2.15: Sector-wise *percentage* share in Capital Expenditure for the period 2018-23



Source: Finance Accounts of respective year

The major contributor in Capital Expenditure during the last five-year period was economic sector. The share of Economic Sector in Capital Outlays had been increasing and it peaked in 2020-21. Thereafter it reduced to 54.25 per cent in 2021-22 and stood at 62.21 per cent in 2022-23 with a significant increase in Capital Expenditure over the previous year. The share of Social and General Sectors in Capital Expenditure showed fluctuating trends during the past five- year periods. High share of Economic and Social Sectors in Capital Outlays boosted the Economy growth of the State and improved the quality of Social Services. The expenditure on Economic Sector was increased from 6.40 per cent in 2021-22 to 30.10 per cent in 2022-23, which indicative of giving emphasis on creation of assets by the State Government.

The CAGR of Capital Expenditure for the past five years (2018-23) was 9.08 per cent which was higher than that of Revenue Expenditure (8.80 per cent). The decadal growth of CAGR was 19.11 per cent. During 2021-22 to 2022-23, the CAGR of the State was 24.95 per cent whereas CAGR of Revenue Expenditure was 9.91 per cent.

2.5.5.1 Major Changes in Capital Outlay

As there was increase of ₹1,430.30 crore in Capital Outlay during the current year over the previous year, **Table 2.29** highlights the cases of significant increase of over 25 per cent in various Heads of Account in Capital Outlay during 2022-23 vis-à-vis the previous year.

Table 2.29: Capital Outlay during 2022-23 compared to 2021-22

| (₹ in crore) | | | |
|--|----------|----------|-----------|
| Major Heads of Accounts | 2021-22 | 2022-23 | Variation |
| 4055-Capital Outlay on Police | 204.68 | 154.44 | (-)50.24 |
| 4235-Capital Outlay on Social Security | 315.26 | 152.82 | (-)162.44 |
| 4210-Capital Outlay on Medical and Public Health | 24.82 | 97.46 | 72.64 |
| 4059-Capital Outlay on Public Works | 435.7 | 532.92 | 97.22 |
| 4215-Capital Outlay on Water Supply and Sanitation | 330.45 | 430.35 | 99.90 |
| 4801-Capital Outlay on Power projects | 430.69 | 543.94 | 113.25 |
| 4711-Capital Outlay on Flood Control Projects | 132.36 | 312.22 | 179.86 |
| 5054-Capital Outlay on Roads and Bridges | 2,594.68 | 3,765.13 | 1,170.45 |

Source: Finance Accounts of the respective year

Analysis of the reasons for changes in Capital Outlay during 2022-23 over previous year:

- Capital Outlay under ‘Police’ decreased by ₹50.24 crore (24.55 per cent) due to a decrease in Capital Outlay under State Police by ₹33.02 crore, Police Housing by ₹72.60 crore and Other Expenditure by ₹96.11 crore which was offset by the increase in Capital Outlay by ₹153.29 crore under Other Police Organisations.
- Capital Outlay decreased by ₹162.44 crore (51.53 per cent) over the previous year under Social Security. This was due to a decrease in Capital Outlay under Tribal Area Plan by ₹70.22 crore and Other Expenditure (Social Welfare) by ₹110.75 crore which was partially offset by increased under ‘Welfare of Handicapped’ by ₹14.48 crore.
- There was an increase in Capital Outlay on Medical and Public Health by ₹72.64 crore. This was due to an increase in Capital Outlay under Prevention and Control of Diseases by ₹28.40 crore and Other Programmes (Public Health) by ₹54.48 crore which partially offset by decreased under ‘Other expenditure’ ₹20.67 crore
- Public Works Departments had an increase in Capital Outlay by ₹97.22 crore over the previous year due to a significant increase under ‘Construction (Office Buildings), by ₹527.65 crore for which was offset by a decrease in Capital Outlay under Creation of Assets under Budget Announcements/ State Development Schemes by ₹385.37 crore.

- During 2022-23, Capital Outlay on Water Supply and Sanitation increased by ₹99.90 crore (30.23 per cent) from ₹330.45 crore in 2021-22 to ₹430.35 crore in 2022-23 which was due to an increase in expenditure under Urban Water Supply by ₹135.32 crore and by ₹287.44 crore under Rural Water Supply which was offset by decrease in expenditure under Maintenance of works by ₹42.15 crore and by ₹280.71 crore under Creation of Assets under Budget Announcement/ State Development Schemes.
- There was an increase in Capital Outlay under Power Projects by ₹113.25 crore (26.30 per cent) from ₹430.69 crore in 2021-22 to ₹543.94 crore in 2022-23. This was due to an increase in Capital Outlay under Creation of Infrastructure under RIDF by ₹44.34 crore and by ₹468.81 crore in Machinery and Equipment which was partially offset by decrease in Capital Outlay under Creation Assets under Budget Announcement/ State Development Schemes by ₹324.81 crore by ₹67.49 crore under Research and Development.
- Capital Outlay on Flood Control Projects increased by ₹179.86 crore (135.89 per cent) from ₹132.36 crore in 2021-22 to ₹312.22 crore in 2022-23. This was due to an increase in Capital Outlay under Civil Work by ₹312.22 crore which was offset by decrease in Capital Outlay under Other expenditure by ₹132.36 crore.
- Capital Outlay on Roads and Bridges increased by ₹1,170.45 crore (45.11 per cent) over the previous year. This was mainly due to an increase in Capital Outlay on Roads Work by ₹1,716.99 crore and by ₹621.31 crore under Bridges (District and Other Roads) which was partially offset by a decrease in Capital Outlay on Other Expenditure (General) by ₹657.07 crore and by decrease of ₹507.98 crore under Other Expenditure (District and Other Roads).

Analysis of data pertaining to 2018-23 revealed that Major Capital Outlays occurred on the following components under Social and Economic Sector as depicted in **Table 2.30**.

Table 2.30: Major Contribution of Capital Expenditure in Social and Economic Sector during 2018-23

| Head of Accounts | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
|------------------------------|----------|----------|----------|----------|----------|
| (₹ in crore) | | | | | |
| Social Sector | | | | | |
| Education | 205.05 | 59.36 | 51.23 | 281.09 | 285.80 |
| Medical and Public Health | 56.76 | 59.08 | 10.61 | 24.83 | 97.46 |
| Water Supply and Sanitation | 416.43 | 253.08 | 224.55 | 330.45 | 430.35 |
| Urban Development | 367.17 | 128.93 | 104.94 | 359.97 | 379.12 |
| Social Security and Welfare | 147.62 | 158.43 | 219.29 | 315.26 | 152.82 |
| Economic Sector | | | | | |
| Irrigation and Flood Control | 164.73 | 133.72 | 171.34 | 147.76 | 334.62 |
| Energy | 340.36 | 173.36 | 172.70 | 430.69 | 543.94 |
| Transport | 2,629.70 | 1,848.16 | 3,166.97 | 2,677.89 | 3,817.01 |

Source: Finance Account of respective year

As can be seen from **Table 2.30**, the State Government has been providing less funds towards the Health Sector during the last five years under Social Sector. In respective Economic Sector, major portion of the Capital Expenditure was incurred by Transport.

2.6 Quality of Capital Expenditure

The availability of better social and physical infrastructure in the State generally reflects the quality of expenditure which basically involves three aspects - adequacy (adequate provisions for providing public services); efficiency of expenditure and effectiveness (assessment of outlay-outcome relationships for select services). While assessment of the outlay and establishment of outcome relationships for many of the services is being done at the budget stage, the actual expenditure during the year fell short of the allocations made in the budget. The State Government had prepared the Outcome budget based on the expected outcomes identified in 26 departments. However, the actual achievement of the scheme objectives of 2021-22, were not included in the outcome budget for 2022-23. This resulted in unrealistic preparation of Outcome Budget for the year 2022-23.

2.6.1 Capital locked in incomplete projects

An assessment of trends in capital blocked in incomplete capital works also indicates quality of capital expenditure. Blocking of funds on incomplete projects/ works impinges negatively on the quality of Capital Outlay and deprives the State of the intended benefits for prolonged periods. Further, the funds borrowed for implementation of these projects during the respective years proved futile and the State had to share the extra burden in terms of servicing debt and interest liabilities.

As per Appendix IX of Finance Accounts of the State for the year 2022-23, there were 80 incomplete/ ongoing projects in four Departments as on 31 March 2023. Age profile of incomplete projects based on the year of sanction/ year of start of these projects as on 31 March 2023 are shown in **Tables 2.31 and 2.32**.

Table 2.31: Age profile of incomplete projects as on 31 March 2023
(₹ in crore)

| Year | Number | Estimated cost | Expenditure |
|--------------|-----------|-----------------|---------------|
| 2010-11 | 9 | 152.88 | 149.82 |
| 2013-14 | 1 | 10.00 | 1.00 |
| 2014-15 | 2 | 95.00 | 70.00 |
| 2018-19 | 5 | 138.14 | 65.81 |
| 2019-20 | 21 | 342.94 | 146.42 |
| 2020-21 | 8 | 144.73 | 111.42 |
| 2021-22 | 15 | 311.70 | 133.84 |
| 2022-23 | 19 | 234.29 | 63.50 |
| Total | 80 | 1,429.68 | 741.81 |

Source: Finance Accounts, 2022-23

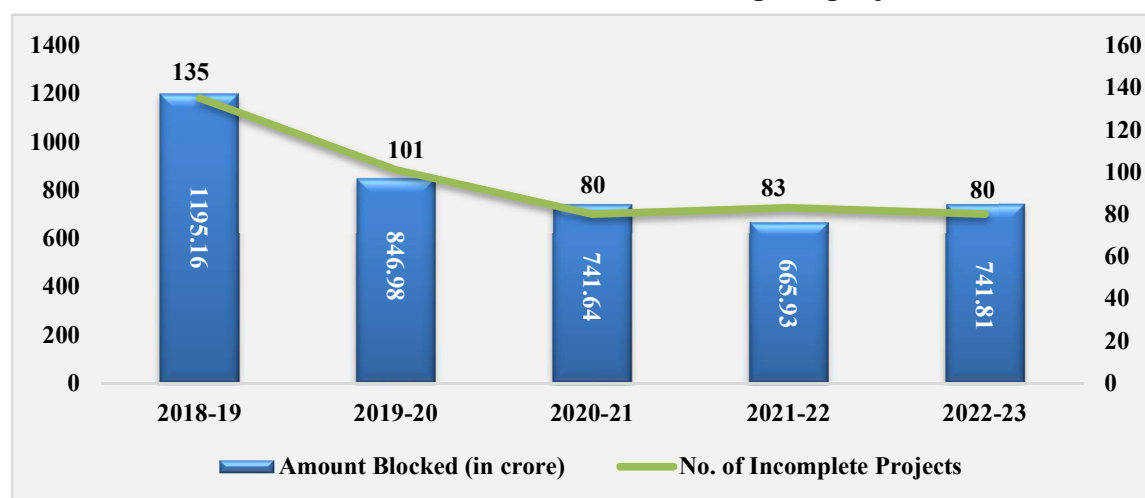
Table 2.32: Department-wise profile of incomplete projects as on 31 March 2023
(₹ in crore)

| Department | No of incomplete projects | Estimated cost | Expenditure |
|-----------------|---------------------------|-----------------|---------------|
| PWD | 60 | 1,118.01 | 512.75 |
| UD and H | 10 | 131.18 | 66.74 |
| Power | 1 | 27.61 | 12.50 |
| WRD | 9 | 152.88 | 149.82 |
| Total | 80 | 1,429.68 | 741.81 |

Source: Finance Accounts, 2022-23

The Government does not have a comprehensive list of capital projects taken up in the past having relevant information such as status of these projects, details of time and cost over run in the execution of these projects and approved cost and revised cost of completing these projects. In the absence of a comprehensive database of incomplete projects, information was sought from the implementing departments. Based on the information furnished by implementing agencies it was seen that 80 projects on which an expenditure of ₹741.81 crore was incurred, remained incomplete and the resources required for completing these works were not made available. The year-wise detail of incomplete projects is shown in the **Chart 2.16**.

Chart 2.16: Year-wise details of incomplete projects



Source: Finance Accounts of the respective year

While there are large number of works that remained incomplete over the years, the Government also took up execution of new works during the current year. The Government has been taking up large number of works without ensuring availability of the resources required for their completion within the stipulated timeframe. Thus, available resources are thinly spread over an extended number of works. Time over run of the infrastructure projects also has the inherent risk of cost over runs. A detailed analysis of a randomly selected project, “Construction of Dorjee Khandu Badminton Academy at Itanagar” revealed the following.

The main Vision of the Government is to make Arunachal Pradesh a vibrant leading State in the sports arena through target-oriented action plans and promote the State Sports Association and the State Olympic Association for diverse activities including coaching, training, counseling, and participation in various levels of the tournament and championship. In accordance of the Vision, the Government of Arunachal Pradesh accorded administrative approval and expenditure sanction (14 February 2019) with an amount of ₹35.61 crore for “Construction of Dorjee Khandu Badminton³ Academy at Itanagar” under State Annual Development Agenda (SADA).

³ Badminton is one of the most popular sports in the State.

Chief Engineer, Urban Development and Housing accorded the technical sanction on 06 March 2019 for an amount of ₹35.27 crore including one *per cent* labour cess and 1.50 *per cent* contingencies. The work was put to e-tender for ₹29.36 crore on 07 March 2019 and the work was awarded to M/S Buru Enterprise at a tender cost of ₹27.90 crore on 26 September 2019. The target date of completion of the project was September 2021. The work commenced on 01 October 2019 and is still in progress. The physical achievement of the work was 60 *per cent* as on 31 March 2023 after incurring ₹25.00 crore.

The status of the work as of April 2023 was depicted in photographs:



Source: *Inspection Report of Urban Development and Housing, Itanagar for the period from April 2021 to March 2023*

The project remains incomplete even after a lapse of one and a half years from the due date of completion.

Thus, the purpose of the project which was to make improve sports in Arunachal Pradesh by conducting activities including coaching, training, counseling, and participation in various levels of tournament and championship remained unfulfilled, apart from time and cost overrun.

Recommendations: *The State Government may do a cost analysis of the incomplete projects to determine the revised cost of these projects after taking into account cost escalation.*

2.6.2 Expenditure priorities

It is important for the State Government to take appropriate expenditure rationalisation by focusing more on Development Expenditure which is expenditure on Social and Economic Services. Apart from improving the allocation towards development expenditure, the efficiency of expenditure use is also reflected by the ratio of Capital Outlay to Total Expenditure and the proportion of Revenue Expenditure being spent on Education and Health Sectors. The higher the ratio of these components to the Total Expenditure, better the quality of expenditure.

Table 2.33 compares the fiscal priority of the State Government with that of NE&H States with regard to Total Expenditure (TE), Capital Expenditure (CE) on Education and Health during 2022-23, taking 2018-19 as the base year.

Table 2.33: Fiscal Priority of the State Government

| Fiscal Priority of the State | TE/GSDP | DE/TE | SSE/TE | ESE/TE | CE/TE | Education/TE | Health and FW/TE |
|------------------------------|---------|-------|--------|--------|-------|--------------|------------------|
| NE&H States 2018-19 | 27.30 | 64.84 | 35.72 | 29.11 | 16.11 | 17.70 | 6.48 |
| Arunachal Pradesh 2018-19 | 71.75 | 73.10 | 31.36 | 41.74 | 31.51 | 10.52 | 6.15 |
| NE&H States 2022-23 | 27.24 | 63.57 | 38.68 | 24.89 | 15.52 | 15.77 | 6.95 |
| Arunachal Pradesh 2022-23 | 64.35 | 73.16 | 28.45 | 44.71 | 31.76 | 11.14 | 6.18 |

Source: Finance Accounts of the respective year

TE: Total Expenditure; DE: Development Expenditure; SSE: Social Sector Expenditure; ESE: Economic Sector Expenditure; CE: Capital Expenditure.

Development expenditure includes Development Revenue Expenditure, Development Capital expenditure and Development Loans and Advances Disbursed.

- The ratio of Total Expenditure to GSDP during 2022-23 decreased when compared with 2018-19 and was significant higher than that of average of NE&H States.
- During 2022-23, the ratio of Development Expenditure to the Total Expenditure in the State increased over the year 2018-19, and much higher than the NE&H States.
- The ratio of SSE to Total Expenditure of the State decreased from 31.36 *per cent* in 2018-19 to 28.45 *per cent* in 2022-23, while the ratio of SSE to TE of the NE&H States during 2022-23 was increased over the base year (2018-19).
- The ratio of expenditure on Education and Health to the Total Expenditure increased with reference to the base year, however, it was lower than that of average of NE&H States indicating that the priority given to these sectors is not commensurate with the average of NE&H states. The Capital expenditure during the year which is meant for creating infrastructure constituted 31.76 *per cent* of the Total expenditure while the average of NE&H States was 15.52 *per cent*.

2.6.3 Object head-wise expenditure

Finance Accounts of a State depict transactions only up to the Minor Head level. The Government Accounting Rules provide for recording of the expenditure up to the object head level. Therefore, an attempt has been made to ascertain the extent of expenditure incurred on the actual items at the Object Head Level from the accounts data maintained in the Accounts wing of the office of Principal Accountant General, Arunachal Pradesh. The details of items with significant *percentage* of expenditure are given in **Table 2.34**.

Table 2.34: Object Head-wise expenditure

(In per cent)

| Object Head | 2020-21 | 2021-22 | 2022-23 |
|--------------------------|---------|---------|---------|
| Salary and Wages | 30.18 | 26.88 | 26.04 |
| Pension/ Gratuity | 5.87 | 6.00 | 6.38 |
| Medical Treatment | 0.04 | 0.03 | 0.05 |
| Office Expenses | 1.30 | 1.51 | 1.25 |
| Materials and Supplies | 0.42 | 0.56 | 0.38 |
| Minor Works | 6.44 | 7.31 | 5.34 |
| GIA | 11.6 | 9.64 | 9.67 |
| GIA (Creation of Assets) | 0.22 | 1.66 | 2.10 |
| Scholarship and Stipends | 0.45 | 0.98 | 0.89 |
| Interest | 4.07 | 3.43 | 3.20 |
| Other Charges | 9.15 | 10.73 | 9.84 |
| Motor Vehicles | 0.13 | 0.65 | 0.15 |
| Major Works | 27.66 | 28.00 | 31.00 |
| Investment | 1.30 | 0.88 | 0.00 |
| Others | 2.23 | 2.81 | 4.45 |

Source: Finance Account of respective year

The analysis of the above Table reveals the following:

- With respect to the expenditure under Other Charges, the details of the items on which the expenditure was incurred are not recorded in accounts. This has serious implications for the decision making and affects the transparency in accounting. In 2022-23, the expenditure on Other Charges constituted 9.84 *per cent* of the total expenditure which should be properly classified.
- The ratio of salaries and wages showed a decreasing trend during the period 2020-21 to 2022-23. During 2022-23, the ratio of salaries and wages was 26.04 *per cent* of the Total expenditure. This indicates that the emphasised was given to create capital assets of the State. Moreover, the ratio of CE to GSDP for the current year also increased which impacted on positive economic growth of the State.

- The ratio of Major works to the Total expenditure showed an increasing trend during the period 2020-21 to 2022-23. During 2022-23, the ratio of Major Works to the Total expenditure was 31.00 *per cent*. This indicates that the State government has been focusing towards infrastructure development of the State.

2.6.4 Loans and Advances by State Government

In addition to the investments in co-operative societies, corporations and companies (PSU), the State Government has also been providing loans and advances to many of the institutions/ Organisations in the State. **Table 2.35** presents the position outstanding loans and advances as on 31 March 2023 along with the interest receipts *vis-à-vis* interest payments during the five-year period from 2018-19 to 2022-23.

Table 2.35: Quantum of loans disbursed and recovered during five-years.

| | (₹ in crore) | | | | |
|---|--------------|--------------|--------------|--------------|--------------|
| Loans disbursed and recovered | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| Opening Balance of loans outstanding | 72.92 | 88.00 | 96.99 | 95.85 | 91.56 |
| Amount advanced during the year | 20.16 | 16.02 | 4.80 | 2.56 | 3.37 |
| Amount recovered during the year | 5.08 | 7.03 | 5.94 | 6.85 | 4.86 |
| Closing Balance of the loans outstanding | 88.00 | 96.99 | 95.85 | 91.56 | 90.07 |
| Net addition | 15.08 | 8.99 | (-) 1.14 | (-) 4.29 | (-)1.63 |

Source: Finance Accounts of the respective year

During 2022-23, amount of ₹3.37 crore was advanced as loans against ₹2.56 crore during the previous year. Out of ₹3.37 crore, ₹one crore was advanced to Co-operation and ₹2.37 crore was advanced to Government servants. During the current year, amount of ₹4.86 crore was recovered which was ₹1.99 crore less than the previous year (₹6.85 crore). Out of total ₹4.86 crore, ₹3.09 crore recovered from Government Servants and ₹1.77 crore from Co-operation.

The Total loans advanced by the State government increased by ₹2.07 crore from ₹88.00 crore in 2018-19 to ₹90.07 crore in 2022-23. Out of ₹90.07 crore, ₹58.96 crore was extended to the Co-operation, ₹10.00 crore to the Power projects, ₹9.26 crore to Loans for Other industries and mineral and ₹11.85 crore to Government Servants.

Pendency in the recovery of Loans and Advances by the State Government

Finance Accounts of Arunachal Pradesh for the year 2022-23 showed that the outstanding balance of loans and advances to be recovered by the State Government from the Department was ₹78.22 crore (₹1.01 crore under Social services and ₹77.21 crore under Economic services) as on 31 March 2023, out of ₹78.22 crore, there was a pendency in recovery of ₹39.26 crore under nine departments for a prolonged period. Details in this regard are shown in **Table 2.36**.

Table 2.36: Details of pendency of recovers of Loans and advances

| Classification | Year from which recoveries are not affected | Balance as of 31 March 2023 |
|---|---|-----------------------------|
| Loans for Education, Sports, Art and Culture | 2009-10 | 0.01 |
| Loans for Urban Development | 2017-18 | 1.00 |
| Loans for Crop Husbandry | 2009-10 | 0.10 |
| Loans for Soil and Water Conservation | 2009-10 | 0.01 |
| Loans to Public Sector and Other Undertakings | 2009-10 | 20.00 |
| Loans to Power Projects | 2010-11 | 10.00 |
| Loans to Village and Small Industries | 2013-14 | 1.89 |
| Loans to Non-ferrous Mining and Metallurgical | 2009-10 | 0.15 |
| Loans for other Industries and Minerals | 2009-10 | 6.10 |
| Total | | 39.26 |

Source: Finance Accounts of the respective year

2.7 Public Account

Receipts and Disbursements in respect of certain transactions such as Small Savings, Provident Funds, Reserve Funds, Deposits, Suspense, Remittances, *etc.*, which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266 (2) of the Constitution. These are not subject to vote by the State Legislature. The Government acts as a banker in respect of the Public Account. The balance after disbursements during 2022-23 is the fund available with the Government for use for various purposes.

2.7.1 Net Public Account Balances

Component-wise net balances in Public Account of the State as of end of March 2023 are given in **Table 2.37**.

Table 2.37: Component-wise net balances in Public Accounts as of 31 March 2023

| | | (₹ in crore) | | | | |
|--|---|--------------|----------|----------|----------|-----------|
| Sector | Sub Sector | 2018-2019 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| I. Small Savings, Provident Funds, <i>etc.</i> | Small Savings, Provident Funds, <i>etc.</i> | 225.89 | 275.13 | 215.9 | 243.46 | 154.68 |
| J. Reserve Funds | (a) Reserve Funds bearing Interest | (-)0.54 | 1,588.61 | (-)199.1 | 389.68 | (-)178.90 |
| | (b) Reserve Funds not bearing Interest | (-)8.85 | 0.00 | 0.00 | 0.00 | 0.00 |
| K. Deposits and Advances | (a) Deposits bearing Interest | (-)5.48 | (-)13.95 | (-)7.15 | 1.57 | 5.37 |
| | (b) Deposits not bearing Interest | (-)73.02 | (-)61.31 | (-)41.64 | (-)36.27 | 0.39 |
| | (c) Advances | 2.57 | (-)1.97 | (-)4.94 | 5.07 | 0.13 |

| Sector | Sub Sector | 2018-2019 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
|-------------------------------|---|---------------|------------------|------------------|--------------------|---------------|
| L. Suspense and Miscellaneous | (a) Suspense | (-)176.63 | (-)2,678.97 | (-)31.58 | 17.90 | (-)5.65 |
| | (b) Other Accounts | (-)356.93 | 2,036.18 | (-)284.89 | (-)2,694.22 | 1,362.74 |
| M. Remittances | (a) Money Orders, and other Remittances | 1,134.72 | (-)1,367.06 | (-)66.87 | (-)26.81 | (-)413.89 |
| | (b) Inter-Governmental Adjustment Account | (-)0.07 | 0.01 | (-)0.05 | 0.00 | 0.01 |
| Total | | 741.66 | (-)223.33 | (-)420.32 | (-)2,099.62 | 924.88 |

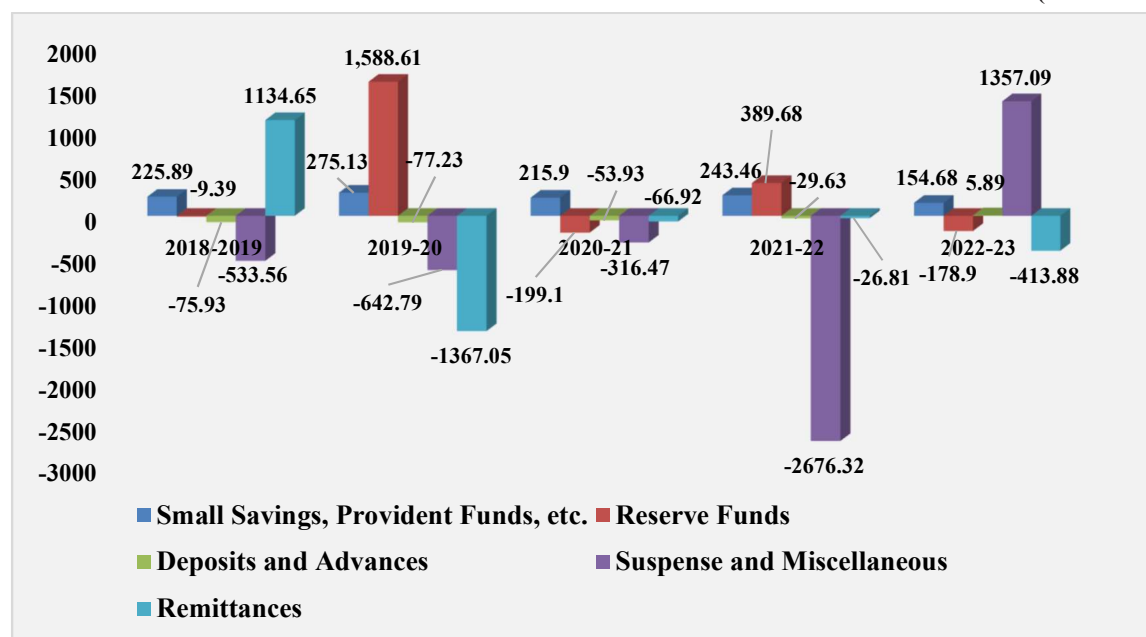
Source: Finance Accounts of the respective year

Finance Accounts reflect the net balances under Suspense and Remittance Heads. The outstanding balance under these heads, is worked out by aggregating the outstanding debit and credit balances separately under the various heads. During 2022-23, the Outstanding net balances under Suspense and Remittance was ₹1,574.06 crore (Debit).

Non-clearance of outstanding balances under these heads affects the accuracy of Receipt/ Expenditure figures and balances under different heads of Accounts. The yearly changes in composition of balances in Public Account over the five-year period 2018-19 to 2022-23 are given in **Chart 2.17**.

Chart 2.17: Composition of net Public Account over the period 2018-19 to 2022-23

(₹ in crore)



Source: Finance Accounts of respective year

2.8 Transaction under Reserve Funds

Reserve funds are created for specific and defined purposes under Public account of the State Government. These funds are met from contributions or grants from the Consolidated Fund or from outside agencies. It comprises interest bearing reserve funds and reserve funds not bearing interest.

Details of Reserve Funds available in Statements 21 and 22. The total Outstanding Public Liabilities as on 31 March 2023 was ₹15,646.75 crore. This includes the balance of Reserve Funds of ₹1,603.34 crore. Out of this ₹1,603.21 crore was under Reserve Funds bearing interest and ₹0.13 crore under Reserve funds not bearing interest. With regards to Reserve funds bearing interest, ₹1,600.60 crore was under State Compensatory Afforestation Fund (SCAF) and ₹2.61 crore under State Disaster Response Fund (SDRF). The status of Reserve Funds viz., State Disaster Response Fund (SDRF), State Compensatory Afforestation Fund (SCAF), Consolidated Sinking Fund and Guarantee Redemption Fund are discussed in subsequent paragraphs.

2.8.1 State Disaster Response Fund

The GoI replaced the erstwhile Calamity Relief Fund with the State Disaster Response Fund (SDRF) with effect from 1 April 2010.

State Disaster Response Fund (SDRF) was set up by the Government in 2010-11 with prescribed contribution of funds from GoI and the State Government in the ratio of 90:10. As per the guidelines of SDRF fund, the contributions received are to be transferred to the Public Account (Major Head-8121). Any expenditure incurred during the year on natural calamities should be adjusted by debiting the Public Account with contra deduct debit to the Expenditure Major Head-2245.

The State Governments are required to pay interest to the SDRF at the rate applicable to overdrafts under Overdraft Regulation Guidelines of the RBI. The interest is to be credited on a half yearly basis. The accretions to the SDRF together with the income earned in the investment of SDRF is to be invested in Central Government dated Securities, auctioned Treasury Bills and other interest earning deposits with Scheduled Commercial Banks.

The SDRF is to be used only for meeting the expenditure for providing immediate relief to the victims of a disaster and the provision for disaster preparedness, restoration, reconstruction and mitigation should not be a part of SDRF. Such expenditure has to be built into the normal Budgetary Heads/ State Plan Funds, etc.

During 2022-23, State Government received ₹210.40 crore from the Centre towards SDRF. The amount received towards SDRF was neither transferred to MH 8121-General and Other Reserve Funds nor expended from the Consolidated Fund. This has resulted in overstatement of Revenue Surplus and understatement of Fiscal Deficit to that extent. Further, State Government parked ₹111.11 crore in Saving Bank Account instead transferring to the Public Account.

The contributions to the State Disaster Response Fund, and the balance therein was ₹2.61 crore as on 31 March 2023.

2.8.2 State Compensatory Afforestation Fund

The government of Arunachal Pradesh has adopted (September 2018) the Compensatory Afforestation Fund Rules. As per Fund Rules, the money received by the State Government from the User Agencies needs to be credited in ‘8336 Civil deposits- 00- 103 State Compensatory Afforestation Deposits’ under interest bearing section in Public Accounts of the State. Out of this 90 *per cent* shall be transferred to the Major Head ‘8121 General and Other Reserve Funds- 00- 129 State Compensatory Afforestation Fund (SCAF)’ and 10 *per cent* credited into the National Fund on yearly basis as per sub-section (4) of Section 3 of the Act; provided that, the credit of 10 *per cent* share of funds should be ensured on monthly basis so that the same is transferred to the National Fund. The applicable rate of interest on balances available under State Compensatory Afforestation Deposits under ‘8336- Civil deposits- 00-103 State Compensatory Afforestation Deposits’ and ‘8121 General and Other Reserve Funds-00-129 SCAF shall be as per the rate declared by the State Government on year-to-year basis.

After due appropriation of funds, the expenditure on schemes to be financed from SCAF shall be incurred from the head of account ‘2406 Forestry and Wildlife- 04 Afforestation and Ecology Development- 103 State Compensatory Afforestation (SCA)’ and is to be reimbursed by deduct refund under the Minor Head ‘904 Recoveries” from Public Account Head ‘8121 General and Other Reserve Funds-00-129 SCAF’.

During 2022-23, the State Government did not receive any amount from National Compensatory Afforestation Deposits to SCA Fund. No amount was collected by the State Government under the Head of Account ‘8336 Civil Deposits - 00 - 103 State Compensatory Afforestation Deposits’ from user agencies during the year. Budget provision of ₹195.29 crore was kept under ‘2406 Forestry and Wildlife- 04 Afforestation and Ecology Development - 103 State Compensatory Afforestation (SCA)’ and an expenditure of ₹189.27 crore was incurred during the year. As on 31 March 2023, an amount of ₹1,600.60 crore has remained as balance under SCAF.

2.8.3 Consolidated Sinking Fund

The State Government has set up a ‘Consolidated Sinking Fund’ (CSF) in 2007 in line with recommendations of the XII Finance Commission with the objective to redeem its outstanding liabilities. According to the guidelines of RBI, which is responsible for management of the Fund, State Government is required to contribute a minimum of 0.50 *per cent* of the Outstanding Liabilities (Public Debt *plus* Other Liabilities) of the previous year. Contribution to this Fund out of borrowings from the Reserve Bank is not permissible. Transactions under CSF during the year is given in the **Table 2.38**.

Table 2.38: Details of transaction under CSF during 2022-23

(₹ in crore)

| Opening balances | Required contribution | Contribution (including interest) | Payment out of the fund | Total balance in the Fund | Amount invested by RBI during the year | Closing balance |
|------------------|-----------------------|-----------------------------------|-------------------------|---------------------------|--|-----------------|
| 2,026.74 | 68.68 ⁴ | 233.35 | -- | 2,260.09 | 233.35 | 2,260.09 |

Source: Finance Accounts 2022-23

It can be seen from the above **Table 2.38**, the contribution due from the State Government during the year was ₹68.68 crore. Against this, the State Government contributed ₹233.35 crore (including interest of ₹163.35 crore earned on investment) to the Fund and entire amount has been invested by the Reserve Bank of India in GoI Securities. As on 31 March 2023, an amount of ₹2,260.09 crore was invested.

2.8.4 Guarantee Redemption Fund

The State Government constituted 'Guarantee Redemption Fund' for meeting the payment obligations arising out of the guarantees issued by the State Government in respect of bonds issued and other borrowings by the State Level Public Sector Undertakings or other Bodies and invoked by the beneficiaries. The accumulations in the Fund would be utilised only towards payment of the guarantees issued by the Government and invoked by the beneficiary and not paid by the institution on whose behalf the guarantee was issued.

In terms of recommendations of the XII FC, the State Government had constituted (February 2018) Guarantee Redemption Fund (GRF) with the objective of meeting its obligation arising out of the guarantees issued on behalf of the State Bodies. According to the Act of the fund, the Government should contribute a minimum of one *per cent* of the outstanding guarantees at the end of the previous year and thereafter minimum 0.50 *per cent* every year to achieve a minimum level of three *per cent* in next five years.

During 2022-23, the State Government contributed ₹1.26 crore (it includes ₹0.18 crore interest earned on investment from the Funds) against ₹0.05 crore required to contribute to the Fund. No guarantee was invoked during the year. The entire amount (₹1.26 crore) has been invested by the Reserve Bank of India in GoI Securities. As on 31 March 2023, the total amount lying in the Fund was ₹4.15 crore.

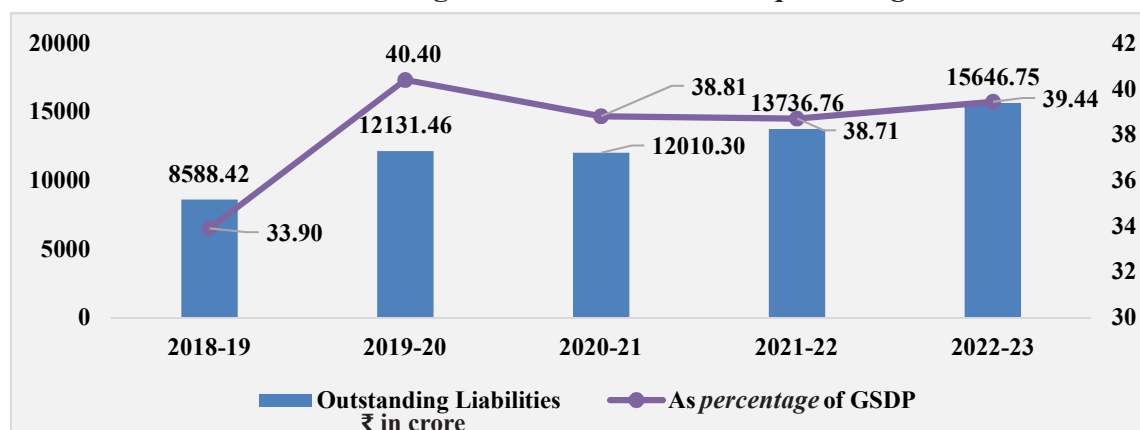
2.9 Public Liability Management

Management of Public Liability is the process of establishing and executing a strategy for managing the Government's Liabilities to raise the required amount of funding, achieve its risk and cost objectives, and to meet any other sovereign debt management goals that the Government may have set through enactment or any other annual budget announcements.

⁴ 0.50 *per cent* of the total Outstanding Liabilities of ₹13,736.76 crore of State Government as on 31 March 2022

The Outstanding Total Liabilities of the State along with its *percentage* to GSDP for the year 2018-19 to 2022-23 is in given in **Chart 2.18**.

Chart 2.18: Outstanding Total Liabilities and its *percentage* to GSDP



Source: Finance Accounts of the respective year; GSDP-Director of Economics and Statistics, GoAP

In monetary terms, the Total Outstanding Liabilities has shown an increasing trend from 2020-21 to 2022-23. The *percentage* of Outstanding Liabilities to GSDP ranged between 33.90 and 40.40 *per cent* during the five-year period from 2018-19 to 2022-23.

2.9.1 Liability profile: Component

Components of Total Liabilities of the State Government typically constitute of internal debt of the State (market loans, ways and means advances from RBI, special securities issued to the National Small Savings Fund and loans from financial institutions, *etc.*), loans and advances from the Central Government, and Public Account Liabilities. The State FRBM Act, 2006 of the State has defined the total liabilities as “The total liabilities mean the liabilities under the Consolidated Fund and the Public Account of the State and shall also include borrowings by the Public Sector undertakings and the Special Purpose Vehicles and other equivalent instruments including guarantees where principal and/ or interest are to be serviced out of the State budget”. Outstanding debt constituting outstanding internal debt, outstanding loans and advances from GoI and outstanding balance of Public Account liabilities.

The component-wise liability trends of the State for the five-year period from 2018-19 to 2022-23 are given in **Table 2.39**.

Table 2.39: Trend of the outstanding Debt

| (₹ in crore) | | | | | |
|---|-----------------|------------------|------------------|------------------|------------------|
| Particulars | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| Outstanding Total Liabilities | 8,588.42 | 12,131.46 | 12,010.30 | 13,736.76 | 15,646.75 |
| Public Debt | 5,014.14 | 6,451.24 | 7,707.81 | 8,835.82 | 10,764.27 |
| <i>Internal Debt</i> | 4,835.39 | 6,298.77 | 7,348.10 | 8,130.52 | 8,520.84 |
| <i>Loans from GoI</i> | 178.75 | 152.47 | 359.71 | 705.3 | 2,243.43 |
| Public Account Liabilities | 3,574.28 | 5,680.22 | 4,302.49 | 4,900.94 | 4,882.48 |
| <i>Small Savings, provident Funds, etc.</i> | 2,228.38 | 2,503.51 | 2,719.41 | 2,962.87 | 3,117.55 |

| Particulars | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
|---|-----------|-----------|-----------|-----------|-----------|
| Reserve Funds bearing interest | 2.92 | 1,591.54 | 1,392.43 | 1,782.11 | 1,603.21 |
| Reserve Funds not bearing interest | 1,028.39 | 1,345.85 | 0.12 | 0.13 | 0.13 |
| Deposits bearing interest | 52.75 | 38.80 | 31.65 | 33.22 | 38.60 |
| Deposits not bearing interest | 261.84 | 200.52 | 158.88 | 122.61 | 122.99 |
| Rate of growth of outstanding total Liabilities over the previous year (percentage) | 19.14 | 41.25 | (-1.00) | 14.37 | 13.90 |
| Gross State Domestic Product (GSDP) | 25,334.86 | 30,025.23 | 30,945.33 | 35,483.76 | 39,671.24 |
| Rate of Growth of GSDP (in per cent) | 12.73 | 18.51 | 3.06 | 14.67 | 11.80 |
| Liability/ GSDP (per cent) | 33.90 | 40.40 | 38.81 | 38.71 | 39.44 |
| Borrowings and Other Liabilities as per Statement 6 of Finance Accounts | | | | | |
| Total Liabilities Receipts | 2,528.62 | 4,595.82 | 2,898.15 | 3,568.92 | 4,048.80 |
| Total Liabilities Repayments | 1,148.70 | 1,052.78 | 1,333.00 | 1,842.46 | 2,138.81 |
| Total Liabilities Receipts Available | 1,379.92 | 3,543.04 | 1,565.15 | 1,726.46 | 1,909.99 |
| Liabilities Repayments/ Liabilities Receipts (percentage) | 45.43 | 22.91 | 45.99 | 51.63 | 52.83 |

Source: Finance Accounts of the respective year; GSDP-Director of Economics and Statistics, GoAP

Total Outstanding liabilities of the State Government had been on rise (except 2020-21) as it increased by ₹7,058.33 crore (82.18 per cent) from ₹8,588.42 crore in 2018-19 to ₹15,646.75 crore in 2022-23 due to a significant increase in the Internal Debt by 76.22 per cent, Loans and Advances from GoI by 1,155.07 per cent and Public Accounts liabilities by 36.60 per cent. During 2022-23, the State experienced an increase in the Outstanding Liabilities ₹1,909.99 crore (13.90 per cent) over 2021-22 (₹13,736.76 crore). This was due to increase in the Internal Debt by ₹390.31 crore (4.80 per cent) and Loans and Advances from GoI by ₹1,538.14 crore (218.08 per cent) which was partially offset by the decrease in Public Accounts Liabilities by ₹18.46 crore (0.36 per cent) over the previous year.

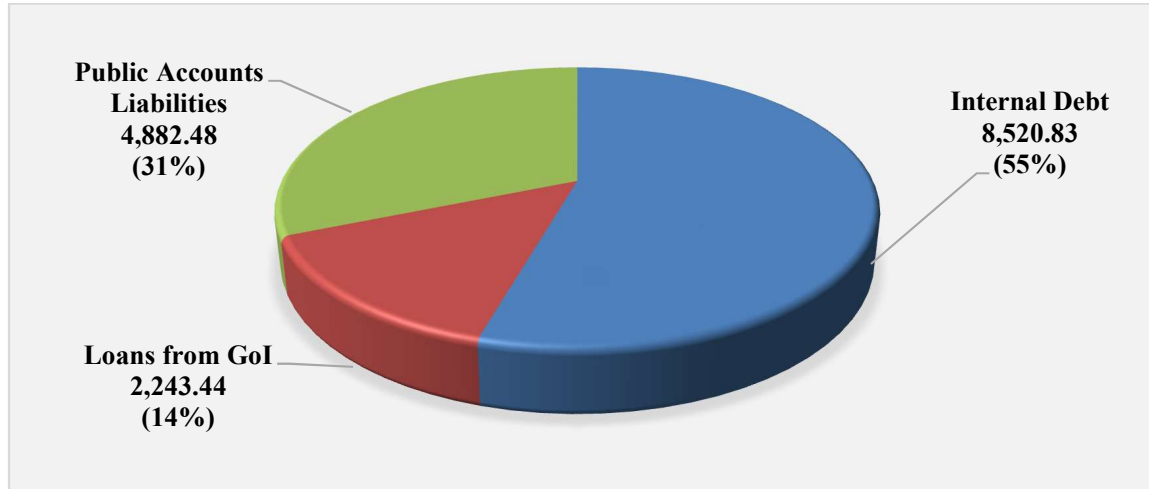
During the five-year period (2018-19 to 2022-23), Public debt increased by ₹5,750.13 crore (114.68 per cent) wherein internal debt increased by ₹3,685.44 crore (76.22 per cent) and Loans from GoI increased by ₹2,064.69 crore (1,155.07 per cent). During the current year, the public accounts liabilities decreased by ₹18.46 crore (0.37 per cent) over the previous year (₹4,900.94 crore). This was due to significant decrease in Reserve funds bearing interest by ₹178.90 crore (10 per cent) which was partially offset by the increase in Small Savings, Provident Funds etc. by ₹154.68 crore (five per cent) and Deposits bearing interest by ₹5.38 crore (16 per cent).

As can be seen from **Table 2.39**, State utilises a higher proportion of the borrowings towards Debt repayment, yet a significant Total Debt is still to be paid. Outstanding Debt is increasing faster (except 2020-21 and 2021-22) than the growth of GSDP. There had been a fluctuating trend with alternate year in the Debt to GSDP ratio during the five-year period from 2018-19 to 2022-23 and stood at 39.44 per cent during 2022-23. During 2019-20, Outstanding Debt registered highest rate of growth. The ratio of Debt repayments to Debt receipts had an increasing trend from 2019-20 to 2022-23 and stood at 52.83 per cent.

Component-wise break-up of outstanding total liabilities at the end of 2022-23 is shown in Chart 2.19.

Chart 2.19: Break-up of outstanding Liabilities as on 31 March 2023

(₹ in crore)

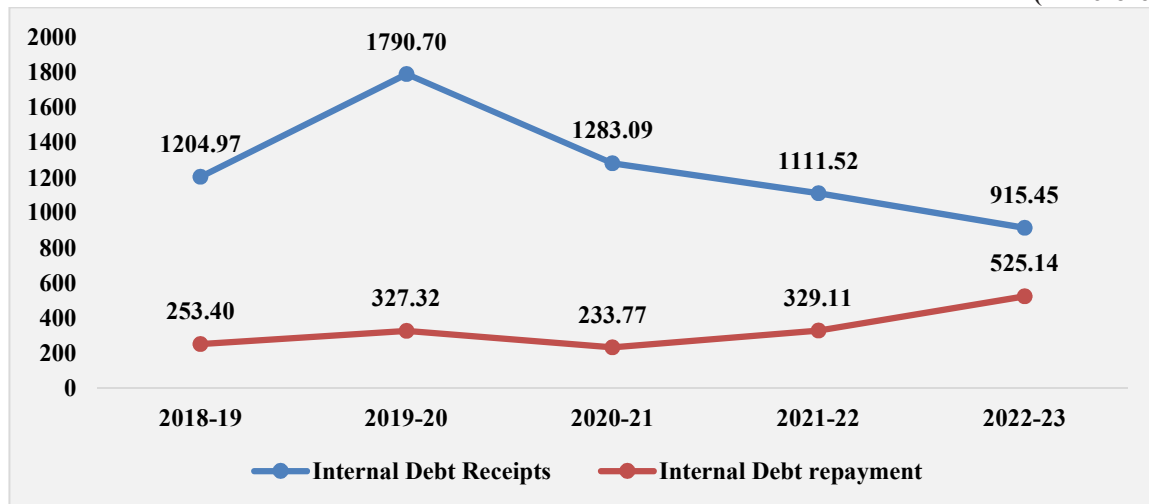


Source: Finance Accounts 2022-23

Internal debt, which is primarily Market Borrowings through issue of State Development Loans (SDLs), accounts for 55 per cent of the outstanding total liabilities. The comparative trend of internal debt and repaid is given in Chart 2.20.

Chart 2.20: Trend of Internal Debt and repaid for the period 2018-19 to 2022-23

(₹ in crore)



Source: Finance Account of respective year

It could be seen from the above Chart, there had been a decreasing trend in the Internal Debt receipts from 2019-20 to 2022-23. During 2022-23, the Internal Debt receipts was less than the previous year by ₹196.07 crore (17.64 per cent) whereas repayment of Internal Debt was more than the previous year by ₹196.03 crore (59.56 per cent) due to which, the gap between Internal Debt taken and repaid has been reduced in 2022-23.

2.9.1.1 Components of Fiscal Deficit and its financing pattern

The share of Revenue Deficit in Fiscal Deficit indicates the extent to which borrowed funds were used for current consumption. The persistently high ratio of Revenue Deficit to Fiscal Deficit also indicates that the asset base of the State is continuously being eroded and a part of borrowings (Fiscal Liabilities) does not have any asset backup. However, in case of Arunachal Pradesh, there was a Revenue Surplus for five-year period from 2018-19 to 2022-23.

The financing pattern of fiscal deficit has undergone a compositional shift as reflected below in **Table 2.40**.

Table 2.40: Components of Fiscal Deficit and its financing pattern

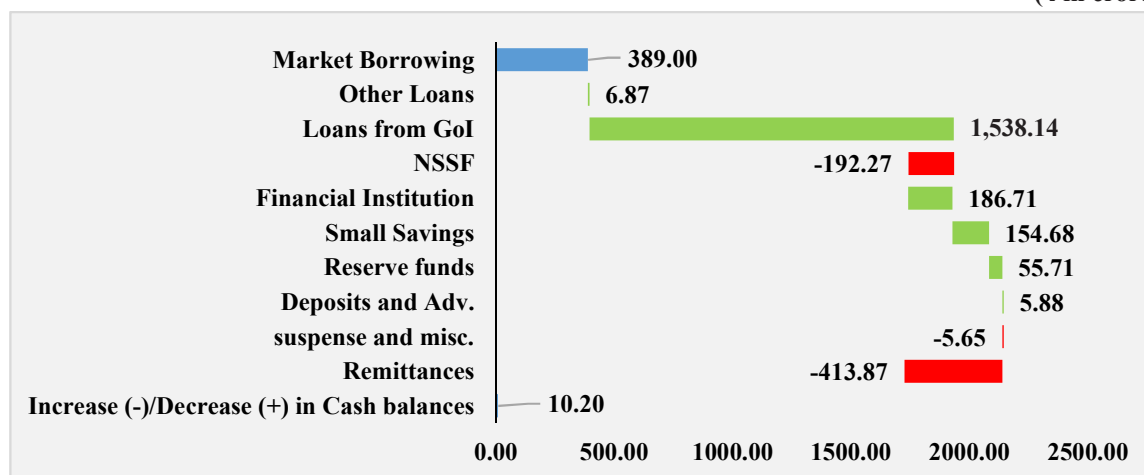
| | | (₹ in crore) | | | | |
|--|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Sl. No. | Particulars | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| Decomposition of Fiscal Deficit | | | | | | |
| Fiscal Deficit (-)/ Surplus (+) | | (-1,976.03) | (-1,032.22) | (-1,086.20) | (-1,099.04) | (-1,735.40) |
| 1. | Revenue Surplus | 3,766.48 | 2,669.82 | 4,036.01 | 5,385.00 | 6,370.47 |
| 2. | Net Capital Expenditure | (-5,727.43) | (-3,693.05) | (-5,123.35) | (-6,488.33) | (-8,107.36) |
| 3. | Net Loans and Advances | (-15.08) | (-8.99) | 1.14 | 4.29 | 1.49 |
| Financing pattern of Fiscal Deficit | | | | | | |
| 1. | Market Borrowings | 703.1 | 762.96 | 1,288.08 | 767.81 | 389.00 |
| 2. | Other Loans | (-6.85) | 4.16 | (-3.73) | (-3.73) | 6.87 |
| 3. | Loans from GoI | (-26.43) | (-26.36) | (-26.28) | 207.25 | 1,538.14 |
| 4. | Special Securities issued to NSSF | 93.42 | 50.45 | 77.36 | 146.91 | (-192.27) |
| 5. | Loans from Financial Institutions | 115.97 | 189.64 | 101.67 | 138.33 | 186.71 |
| 6. | Small Savings, PF, etc. | 241.13 | 225.89 | 275.14 | 215.9 | 154.68 |
| 7. | Reserve Funds | 137.87 | 307.32 | 1,906.08 | 141.47 | 55.71 |
| 8. | Deposits and Advances | (-134.19) | (-75.93) | (-77.23) | (-53.73) | 5.88 |
| 9. | Suspense and Miscellaneous | (-404.85) | (-176.63) | (-2,678.97) | (-31.58) | (-5.65) |
| 10. | Remittances | 34.09 | 1,134.66 | (-1,367.05) | (-66.92) | (-413.87) |
| 11. | Increase (-)/ Decrease (+) in cash balances | (-895.72) | (-364.49) | 1,537.15 | (-375.51) | 10.20 |
| 12. | Increase/ Decrease in WMAs, Overdraft | 455.82 | (-55.64) | 0.00 | 0.00 | 0.00 |
| Overall Deficit (1 to 11) (-) | | 1,976.03 | 1,032.22 | 1,086.20 | 1,099.04 | 1,735.40 |

Source: Finance Accounts of respective year

The components of fiscal deficit consisted of Revenue Surplus, Net Loans and Advances and Net Capital Expenditure. Since the State is Revenue Surplus from 2018-19 itself, the surplus on revenue account were utilised to finance Capital Expenditure. During 2018-19 to 2022-23, Revenue Surplus could finance only 65.67 to 83 per cent of Capital expenditure. The components of financing of fiscal deficit during 2022-23 is expressed through water flow chart as shown in **Chart 2.21**.

Chart 2.21: Components of financing of fiscal deficit during 2022-23

(₹ in crore)



Source: Finance Accounts, 2022-23

The components of receipts and disbursements financing the fiscal deficit during 2022-23 are depicted in **Table 2.41**.

Table 2.41: Receipts and Disbursements under Components Financing the Fiscal Deficit

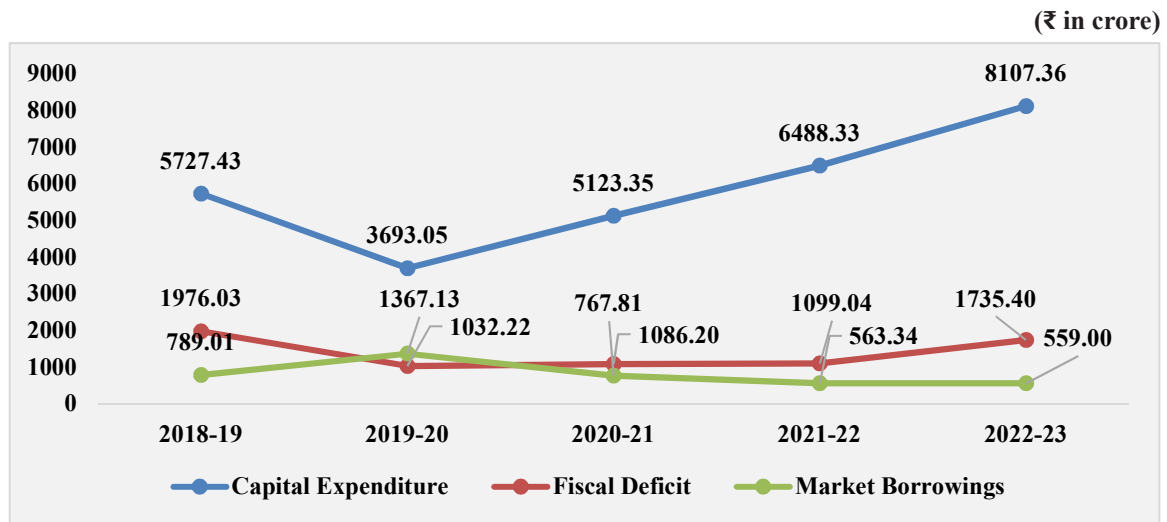
(₹ in crore)

| Particulars | Receipts | Disbursement | Net |
|-------------------------------------|----------|--------------|-----------------|
| Market Borrowings | 559.00 | 170.00 | 389.00 |
| Loans from GoI | 1,564.11 | 25.97 | 1,538.14 |
| Special securities issued to NSSF | 0.00 | 192.27 | (-)192.27 |
| Loans from Financial Institutions | 348.70 | 161.99 | 186.71 |
| Other Loans | 7.75 | 0.88 | 6.87 |
| Small Savings, PF, etc. | 639.91 | 485.23 | 154.68 |
| Reserve Fund | 244.98 | 189.27 | 55.71 |
| Deposit and Advances | 920.94 | 915.06 | 5.88 |
| Suspense and Miscellaneous | (-)0.42 | 5.23 | (-)5.65 |
| Remittances | 6,990.67 | 7,404.54 | (-)413.87 |
| Overall Deficit | | | 1,725.20 |
| Increase/ Decrease in Cash balances | | | 10.20 |
| Gross Fiscal Deficit | | | 1,735.40 |

Source: Finance Accounts 2022-23

As it could be seen from the **Table 2.41**, there was increase in market borrowings by ₹389.00 crore, Loans from GoI by ₹1,538.14 crore, Small Savings, Provident Fund etc. by ₹154.68 crore, Reserve fund by ₹55.71 crore and Loans from Financial Institutions by ₹186.71 crore which was partly offset by decrease in Special Securities issued to National Small Savings Fund by ₹192.27 crore and Remittances by ₹413.87 crore. Further, it was noticed that 22.43 and 88.63 per cent of the fiscal deficit was financed from Market Borrowings Loans from GoI. Comparative trend of Capital Expenditure, Fiscal Deficit and Market Borrowings for the period 2018-19 to 2022-23 is given in **Chart 2.22**.

Chart 2.22: Trend of Capital Expenditure, Fiscal Deficit, and Market Borrowings



Source: Finance Account of respective year

2.9.2 Debt Sustainability Analysis (DSA)

Debt sustainability analysis has been carried out based on the fiscal and debt parameters, *i.e.*, Domar approach and compliance of macro-fiscal parameters to the respective targets. The results of analysis are given in the succeeding paragraphs:

(A) Debt sustainability is defined as the ability of the State to service its debt obligation now and in future. However, the higher the level of public debt, the more likely it is that fiscal policy and public debt are unsustainable, as a higher debt requires a higher primary surplus to sustain it. A high level of debt raises a number of challenges:

- Large primary fiscal surpluses are needed to service a high level of debt; such surpluses may be difficult to sustain, both economically and politically.
- A high level of debt heightens an economy's vulnerability to interest rate and growth shocks.
- A high debt level is generally associated with higher borrowing requirements, and therefore a higher risk of a rollover crisis (*i.e.*, being unable to fulfill borrowing requirements from private sources or being able to do so only at very high interest rates).
- High levels of debt may be detrimental to economic growth; while lower growth is a concern in itself, it also has a direct impact on debt dynamics and debt sustainability in the long term.
- Debt vulnerability is also associated with its profile. A high share of short-term debt at original maturity, increases vulnerability to rollover (re-financing risk) and interest rate risks. Sustainability of Public debt ensures that it does not explode and governments are not forced to increase taxes, or decrease spending.

- Debt is considered sustainable if the borrower, in this case the State, is in a position to service its debt now, and in future. Debt sustainability indicators accordingly seek to assess the credit worthiness and the liquidity position of the borrower by examining their ability to service the debt through timely interest payments and repay debt out of current and regular sources of revenue.

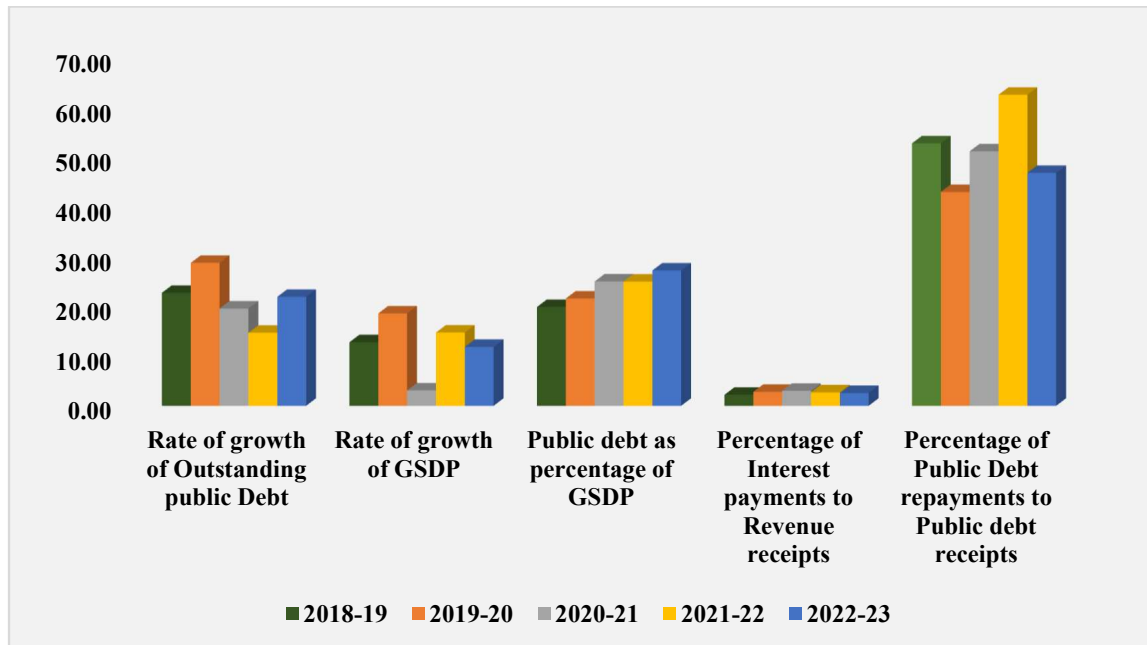
The sustainability of debt of the State Government is analysed in terms of Debt/ GSDP ratio, Fiscal Deficit/ GSDP and burden of Interest Payments (measured by ratio of Interest Payments to Revenue Receipts). Analysis of variations in debt sustainability indicators for the five-year period from 2018-19 to 2022-23 is given in **Table 2.42** and **Chart 2.23**.

Table 2.42: Debt Sustainability: Indicators and Trends

| Indicators of Debt sustainability | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
|---|-------------|-----------|-----------|-----------|-----------|
| Outstanding Public Debt (₹ in crore) | 5,014.14 | 6,451.24 | 7,707.81 | 8,835.82 | 10,764.27 |
| Rate of Growth of Outstanding Public Debt (in per cent) | 22.63 | 28.66 | 19.48 | 14.63 | 21.83 |
| GSDP (₹ in crore) | 25,334.86 | 30,025.23 | 30,945.33 | 35,483.76 | 39,671.24 |
| Rate of Growth of GSDP (in per cent) | 12.73 | 18.51 | 3.06 | 14.67 | 11.80 |
| Debt/ GSDP (in per cent) | 19.79 | 21.49 | 24.91 | 24.90 | 27.13 |
| Debt Maturity profile of repayment of State-debt-including default history, if any (₹ in crore) | 1.50 | 213.94 | 190.75 | 159.48 | 474.37 |
| Average Interest rate of Outstanding Debt (in per cent) | 7.81 | 7.25 | 7.28 | 6.92 | 6.22 |
| Percentage of Interest payment to Revenue Receipts | 2.20 | 2.79 | 3.01 | 2.69 | 2.56 |
| Percentage of Debt Repayment to Debt Receipt | 52.73 | 42.95 | 51.13 | 62.51 | 46.79 |
| Net Debt available to the State (₹ in crore) | 569.53 | 1,021.60 | 740.96 | 555.83 | 1,319.26 |
| Net Debt available as percentage to Debt Receipts | 47.27 | 57.05 | 48.87 | 37.49 | 53.21 |
| Primary Deficit (₹ in crore) | 1,449.93 | 417.69 | 333.86 | 321.42 | 900.76 |
| Debt Stabilisation (Quantum Spread + Primary Deficit) | (-)1,248.75 | 146.90 | (-)606.10 | 275.94 | (-)407.72 |
| Revenue Surplus without Interest Payment (₹ in crore) | 4,292.58 | 3,284.35 | 4,788.35 | 6,162.61 | 7,205.12 |

Source: Finance Accounts of the respective year

Chart 2.23: Trends of Debt Sustainability Indicators



Source: Finance Accounts of respective year

- The Debt to GSDP ratio reliably indicates the ability of the State to pay back its debt. A falling Debt/ GSDP ratio can be considered as leading towards stability. The Debt-GSDP ratio rose from 19.79 *per cent* in 2018-19 to 27.13 *per cent* in 2022-23. This indicates that public debt cannot be considered as leading towards stability.
- Higher *percentage* of interest payments leaves less funds for priority areas. The ratio of interest payments to Revenue Receipts hovered around 2.20 *per cent* to 3.01 *per cent* which was substantially high.
- Higher the *percentage* of public debt repayments to the public debt receipts, the greater is the portion of debt utilised for debt servicing rather than productively. The ratio of public debt repayments to the public debt receipts ranged between 42.95 to 62.51 *per cent* during the five-year period which implied that significant portion of the borrowed funds are used for repayment of earlier borrowings leaving less space to use productively.
- Debt sustainability condition states that if quantum spread together with Primary Deficit is zero, Debt-GSDP ratio would tend to be constant or would stabilise eventually. On the other hand, if quantum spread together with Primary Deficit turns out to be negative, debt-GSDP ratio would be rising and in case, it is positive, debt-GSDP ratio would eventually be falling. During the current year, quantum spread along with primary deficit turned to be negative, Debt-GSDP ratio had been on rise.

(B) Domar approach: An analysis on debt sustainability was carried out based on a study by E.D. Domar. The Domar model states that necessary premise for ensuring stability of public indebtedness is that interest rates for government loans should not exceed the growth rate of GDP.

The dynamics of public debt depending on the interest rate, growth rate of GSDP and the primary budget balance are as follows:

| g-r (-real economic growth rate; r-real interest rate) | S<0 (primary Deficit) | S>0 (primary surplus) |
|--|--|---|
| g-r>0 (Strong economic growth) | Public debt as <i>percentage</i> of GSDP should converge to a stable level greater than zero | Public debt as <i>percentage</i> of GSDP should converge to a stable level less than zero leading to public savings |
| g-r<0 (slow economic growth) | Public debt as <i>percentage</i> of GSDP should increase indefinitely, without converging to a stable level. | Undefined situation. |

The results of applying the above parameters in the case of Arunachal Pradesh, are shown in **Table 2.43**.

Table 2.43: Debt sustainability analysis based on Domar Model

| Year | Real growth rate (g) | Real interest (r) | Domar gap (g-r) | Primary Deficit (-)/ Surplus (+) (s) | Remarks |
|---------|----------------------|-------------------|-----------------|--------------------------------------|--|
| 2018-19 | 7.00 | (-)1.09 | 8.09 | (-)1,449.93 | g-r>0 and s<0: Public debt as <i>percentage</i> of GSDP should converge to a stable level greater than zero. |
| 2019-20 | 14.68 | 6.75 | 7.93 | (-)417.69 | g-r>0 and s<0: Public debt as <i>percentage</i> of GSDP should converge to a stable level greater than zero. |
| 2020-21 | (-)4.50 | 4.68 | (-)9.18 | (-)333.86 | g-r<0 and s<0: Public debt as <i>percentage</i> of GSDP should increase indefinitely without converging to a stable level. |
| 2021-22 | 8.85 | 0.82 | 8.03 | (-)321.42 | g-r>0 and s<0: Public debt as <i>percentage</i> of GSDP should converge to a stable level greater than zero. |
| 2022-23 | 10.88 | 0.02 | 10.86 | (-)900.76 | g-r>0 and s<0: Public debt as <i>percentage</i> of GSDP should converge to a stable level greater than zero. |

Note: Real Growth rate calculated for GSDP at constant price

Real interest rate calculated for average interest adjusted for inflation

Since the CPI for State is not available, CPI (Rural) of India is used for calculation of real interest rate

The Domar gap remained positive during 2018-19 to 2019-20 which shows that public debt as *percentage* of GSDP would converge to a stable level. While, it turned into negative during 2020-21 which shows that public debt as *percentage* of GSDP would increase indefinitely, without converging into a stable level. During 2021-22 to 2022-23, the Domar gap was positive which shows that public debt as *percentage* of GSDP would converge to a stable level.

The real growth rate was showing an increasing trend during 2019-20. The real growth rate was on a declining trajectory in the year 2020-21, the economy of the State was affected badly due to the Covid-induced lockdown leading to a contraction of 4.50 *per cent* in real terms. Further, real interest rate was lower than the Domar gap (g-r) in last five-years

(except 2020-21). The primary balances were negative during the five-years period and showing decreasing trends till 2022-23. While during 2022-23 primary deficit increased to ₹900.76 crore. Increase in Primary deficit makes it difficult to sustain economic growth.

2.9.3 Debt Profile: Maturity and Repayment

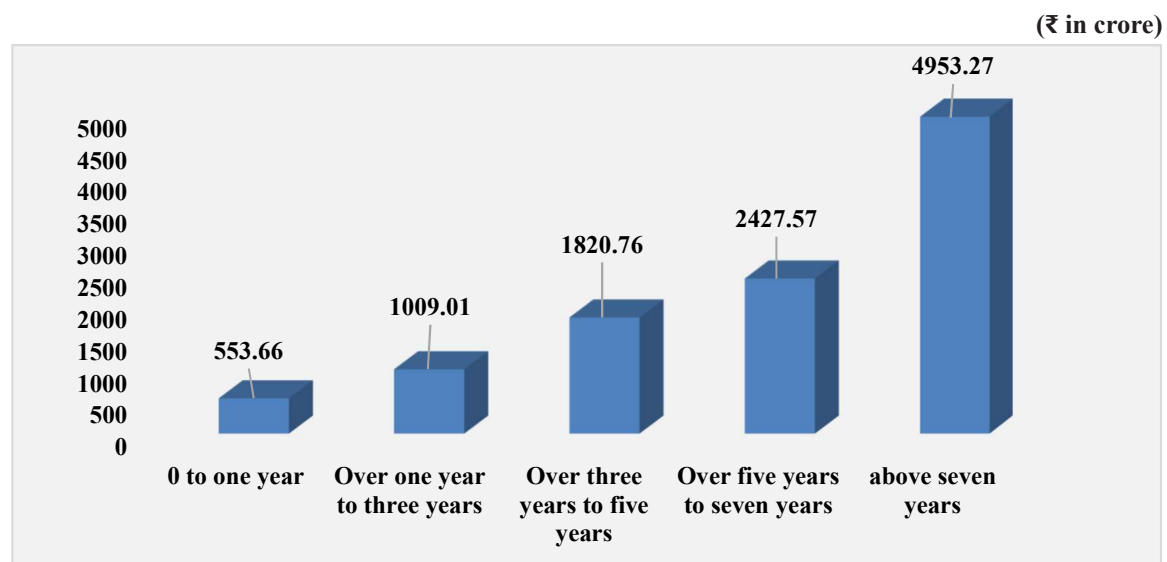
Debt Maturity and repayment profile indicates commitment on the part of the Government for debt repayment or debt servicing. Debt maturity profile of the State is depicted in **Table 2.44**.

Table 2.44: Maturity Profile of Public Debt

| (₹ in crore) | | | | |
|--------------------|--------------------------------|-----------------|-----------------------------|------------------|
| Year of Maturity | Maturity profile | Internal Debt | Loans and Advances from GoI | Total |
| 2023-24 | 0 to one year | 528.68 | 24.98 | 553.66 |
| 2024-25 to 2025-26 | Over one year to three years | 984.21 | 24.8 | 1,009.01 |
| 2026-27 to 2027-28 | Over three years to five years | 1,820.39 | 0.37 | 1,820.76 |
| 2028-29 to 2029-30 | Over five years to seven years | 2,427.56 | 0.01 | 2,427.57 |
| 2029-30 onwards | above seven years | 2760 | 2,193.27 | 4,953.27 |
| Total | | 8,520.84 | 2,243.43 | 10,764.27 |

Source: Finance Accounts 2022-23

Chart 2.24: Maturity Profile of Public Debt



Source: Finance Accounts, 2022-23

The maturity profile of outstanding stock of Public Debt as on 31 March 2023 indicates that out of the outstanding Public Debt of ₹10,764.27 crore, 53.99 per cent (₹5,811.00 crore) is payable within the next seven years while the remaining 46.01 per cent (₹4,953.27 crore) is in the maturity bracket of more than seven years. Of the total outstanding Public Debt, the Internal Debt consisting of Market Borrowings, Loans from NABARD and Special Securities issued to NSSF of Central Government constituted 79.16 per cent (₹8,520.84 crore). Details of repayment of principal and Interest on Outstanding debt stock in next 10 years on the present public debt liabilities is given in **Table 2.45**.

Table 2.45: Details of repayment of public debt and Interest

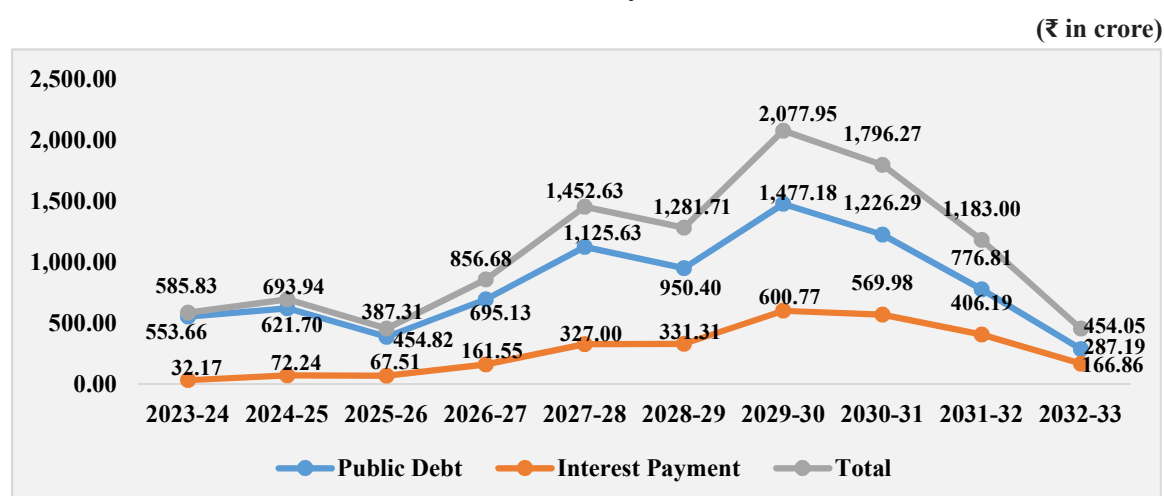
(₹ in crore)

| Year | Public Debt | | Interest payment on | | Total |
|---------|---------------|----------------|---------------------|----------------|----------|
| | Internal Debt | Loans from GoI | Internal Debt | Loans from GoI | |
| 2023-24 | 528.68 | 24.98 | 30.72 | 1.45 | 585.83 |
| 2024-25 | 597.64 | 24.06 | 69.45 | 2.80 | 693.94 |
| 2025-26 | 386.57 | 0.74 | 67.38 | 0.13 | 454.82 |
| 2026-27 | 694.92 | 0.21 | 161.50 | 0.05 | 856.68 |
| 2027-28 | 1,125.47 | 0.16 | 326.95 | 0.05 | 1,452.63 |
| 2028-29 | 950.39 | 0.01 | 331.31 | 0.00 | 1,281.71 |
| 2029-30 | 1,477.17 | 0.01 | 600.76 | 0.00 | 2,077.94 |
| 2030-31 | 1,226.28 | 0.01 | 569.98 | 0.00 | 1,796.27 |
| 2031-32 | 776.81 | 0 | 406.19 | 0.00 | 1,183.00 |
| 2032-33 | 54.22 | 232.97 | 31.50 | 135.36 | 454.05 |

Source: Finance Account, 2022-23

Expenditure on Debt repayment (Principal component) as well as Interest thereon is a committed liability of the State government. As on 31 March 2023, the State accumulated debt of ₹10,764.27 crore. The State will repay ₹8,101.30 crore (75.26 per cent) of this accumulated debt before 31 March 2033. Trends of repayment of Public Debt and interest payments on available present Public Liabilities of the State for the next ten years is given in Chart 2.25.

Chart 2.25: Trends of repayment of public debt and Interest payment for next 10 years



Source: Finance Account, 2022-23

Interest due on the present debt liability will increase from 2025-26 and reach its peak in 2029-30 thereafter decrease uniformly over the next three years. Outstanding debt as on 31 March 2023 will mature and create a Debt repayment liability. This liability will increase and reach a peak in 2029-30 and will drop sharply in 2032-33. With respect to the present Debt liability, the repayment obligation (Principal plus Interest) on State government will be maximum in 2029-30. The State should plan in advance for reducing other committed expenditure and enhancing the revenue collection capacity to meet this obligation.

2.9.4 Utilisation of borrowed funds

Productive utilisation of public debt can lead to Capital formation, increase in GSDP and hence increased employment generation and overall growth of the economy. But if the funds are not utilised properly, then the increasing amount of public debt and the corresponding increase in interest payment is a serious issue to worry because the increase of burden of interest payment will reduce the available resources for other necessary expenditure such as expenditure on Economic and Social sector which play important roles in development of the State. **Table 2.46** presents the trend of utilisation of borrowed funds for repayment of earlier borrowings, Capital Expenditure and Revenue Expenditure.

Table 2.46: Details of utilisation of borrowed funds

(₹ in crore)

| Year | Total Borrowings | Principal Repayment of earlier borrowings (in per cent) | Borrowings available for capital expenditure etc. | Net Capital Expenditure | Net Loans and Advances | Portion of Revenue expenditure met out of net available borrowings |
|---------|------------------|---|---|-------------------------|------------------------|--|
| 1 | 2 | 3 | | 4 | 5 | 6(2-3-4-5) |
| 2018-19 | 1,204.97 | 279.76 (23.22) | 925.21 | 5,727.43 | (-)15.08 | 0.00 |
| 2019-20 | 1,790.70 | 353.60 (19.75) | 1,437.10 | 3,693.05 | (-)8.99 | 0.00 |
| 2020-21 | 1,516.06 | 259.49 (17.12) | 1,256.57 | 5,123.35 | 1.14 | 0.00 |
| 2021-22 | 1,482.71 | 354.71 (23.92) | 1,128.00 | 6,488.33 | 4.29 | 0.00 |
| 2022-23 | 2,479.56 | 551.11 (22.23) | 1,928.45 | 8,107.36 | 1.49 | 0.00 |

Source: Finance Accounts of the respective year

It can be seen from the above **Table 2.46** that the State Government utilised total borrowings mostly on Capital Expenditure during the period from 2018-19 to 2022-23 indicating sustainable financial position of the State.

2.10 Management of Cash Balances

As per agreement with the Reserve Bank of India, State Governments have to maintain a minimum daily cash balance with the Bank. If the balance falls below the agreed minimum on any day, the deficiency is made good by taking ordinary Ways and Means Advances (WMA)/ Special Ways and Means Advances (SWMA)/ Special Drawing Facility(SDF)/ Overdrafts (OD) from time to time. The limit for ordinary WMA to the State Government is revised by the RBI from time to time.

State Government invests its surplus cash balance in short and long-term GoI Securities and Treasury Bills. The cash balances in the earmarked reserve funds such as State Disaster Reserve Fund, Consolidated Sinking Fund, Guarantee Redemption Fund, *etc.* are also invested in these instruments. The profits derived from such investments are credited as receipts under the head '0049-Interest Receipts'.

Under an agreement with the RBI, the State Government has to maintain a minimum balance of ₹0.26 crore with RBI. State Government was able to maintain a minimum cash balance with RBI during 2022-23.

The Cash Balances and Investments made by the State Government out of Cash Balances during 2022-23 are shown in **Table 2.47**.

Table 2.47: Cash Balances and Investment of Cash Balances

(₹ in crore)

| Particulars | Open balance on 01 April 2022 | Closing balance on 31 March 2023 |
|--|----------------------------------|-------------------------------------|
| A. General Cash Balance | | |
| Cash in treasuries | 0.00 | 0.00 |
| Deposits with Reserve Bank | (-),2,063.52 | (-),945.59 |
| Deposits with other Banks | 0.00 | 0.00 |
| Remittances in transit – Local | 0.00 | 0.00 |
| Total (A) | (-),2,063.52 | (-),945.59 |
| B. Investments held in Cash Balance investment account | 4,392.63 | 3,045.88 |
| (a) Total (A+B) | 2,329.11 | 2,100.29 |
| (b) Other Cash Balances and Investments | | |
| Cash with departmental officers | (-),2.40 | (-),18.39 |
| Permanent advances for contingent expenditure with department officers | 0.01 | 0.01 |
| Investment of earmarked funds | 2,029.63 | 2,264.24 |
| Total (b) | 2,027.24 | 2,245.86 |
| Total (a) + (b) | 4,356.35 | 4,346.15 |
| Interest realised | 44.68 | 90.39 |

Source: Finance Accounts, 2022-23

Cash Balances of the State Government decreased by ₹10.20 crore from ₹4,356.35 crore in 2021-22 to ₹4,346.15 crore in 2022-23. There was a net difference of ₹217.29 crore (Credit) at the end of accounting year 2022-23 between the General Cash Balance as worked out by the Accountant General ₹945.59 crore (Credit) and that reported by the RBI ₹728.30 crore (Debit). This difference was mainly due to misclassification of transactions by bank/ treasuries.

As of 31 March 2023, the State Government invested ₹4,392.63 crore in GoI Treasury Bills. The profits derived from such investments are credited as receipts under the head '0049- Interest Receipts'. During 2022-23, Interest of ₹90.39 crore was earned on investment of Cash Balances.

Table 2.48 shows the year-wise Cash Balance Investment with interest earned during the last five years.

Table 2.48: Details of Cash Balance Investment with interest earned during the last five-years

(₹ in crore)

| Year | Opening Balance | Closing Balance | Increase (+)/ decrease (-) | Interest earned |
|---------|-----------------|-----------------|-------------------------------|-----------------|
| 2018-19 | 3,082.39 | 3,442.42 | 360.03 | 78.01 |
| 2019-20 | 3,442.42 | 1,416.05 | (-)2,026.37 | 59.22 |
| 2020-21 | 1,416.05 | 1,699.49 | (-)283.44 | 32.37 |
| 2021-22 | 1,699.49 | 4,392.63 | 2,693.14 | 44.68 |
| 2022-23 | 4,392.63 | 3,045.87 | (-)1,346.76 | 90.39 |

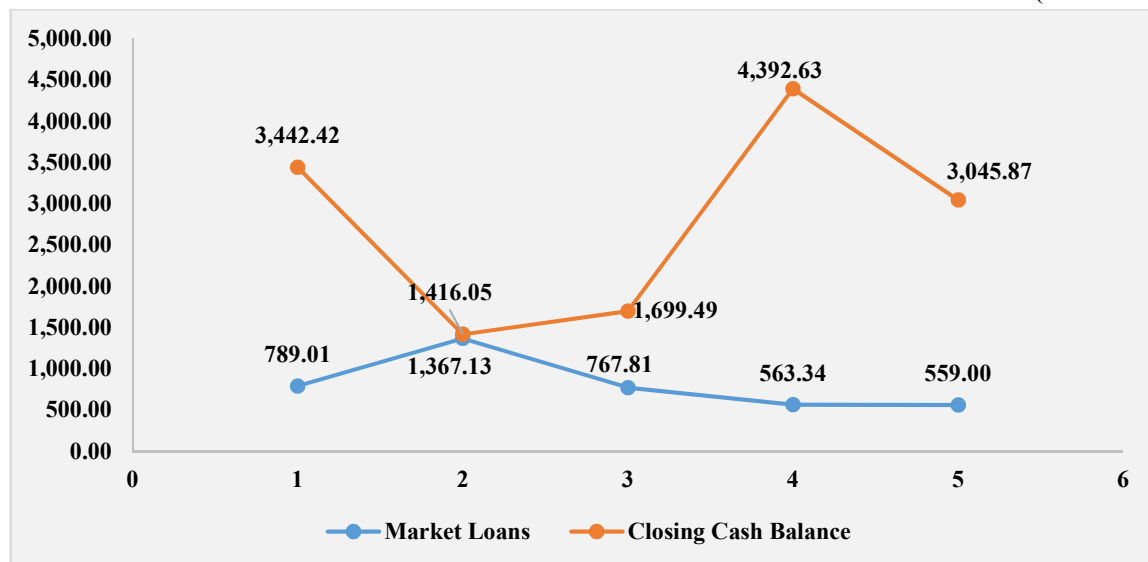
Source: Finance Accounts of the respective year

Cash Balance Investment of the State Government during 2018-19 to 2022-23 showed inter-year variance. During the current year, Cash Balance Investment of the State Government decreased by ₹1,346.76 crore (30.66 per cent) over the previous year.

Chart 2.26 compares the balances available in the Cash Balance Investment Account and the Market Loans taken by the State during the period 2018-19 to 2022-23.

Chart 2.26: Market Loans vis-à-vis Cash Balance Investment

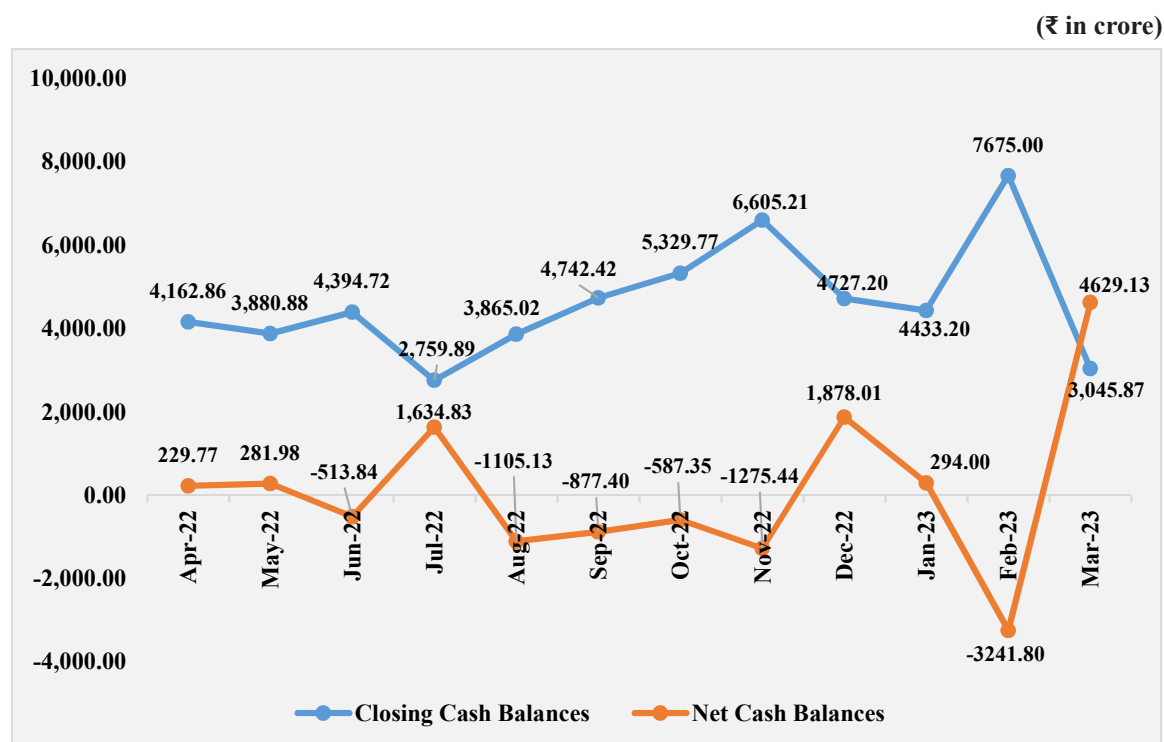
(₹ in crore)



Source: Finance Accounts of the respective year

As can be seen from **Chart 2.26**, it is not desirable that State Government take recourse to market loans despite having large cash balances leading to further accretion to cash balances without putting it to productive use. **Chart 2.27** compares the month-wise movement closing Cash Balances and net Cash Balance Investments during the year.

Chart 2.27: Month-wise movement of Cash Balances Investment Account



Source: Monthly Civil Accounts 2022-23

2.11 Conclusion

- The State had Revenue Surplus consistently during the period 2018-19 to 2022-23 and the revenue receipts increased during the current year. The State has done well to augment its own resources by expanding its tax base. However, the State's own resources constituted only around 14 per cent of the total revenue receipts during 2022-23, indicating heavy dependence of the State on funds from the Government of India, which contributed ₹20,532.92 crore (86 per cent) of the total revenue receipts of ₹23,788.14 crore in 2022-23.
- Both Revenue and Capital Expenditure increased by ₹1,571.03 crore (9.91 per cent) and ₹1,619.03 crore (24.95 per cent) respectively over the previous year. Revenue expenditure, which was in the nature of current consumption, accounted for around 68 per cent of the State's Total Expenditure during 2022-23, leaving only 32 per cent for infrastructure and asset creation.
- The State has not complied with the rules governing NPS. Non-observance of the rules governing NPS by the State Government is fraught with the risk of un-authorized use of funds belonging to its employees, thereby creating uncertainty in respect of the benefits due to the employees, avoidable future liability to the Government, and possible failure of the NPS itself in the State.
- The committed expenditure was about 54 to 62 per cent of Revenue Expenditure over the past five-years. The high share of the committed expenditure in the total

Revenue Expenditure indicates that the amounts available for implementing other welfare schemes, and maintenance of assets are getting reduced.

- The Capital Expenditure during the year which is meant for creating infrastructure constituted 31.76 *per cent* of the Total expenditure. Funds aggregating ₹741.81 crore were locked up during 2022-23 against 80 incomplete projects.
- The State did not have a comprehensive database of its investment in capital projects in the past having relevant information such as approved cost, the status of projects, details of completion time of the projects, and liabilities arising out of inordinate delays in completion of these projects.
- The maturity profile of outstanding stock of Public Debt as on 31 March 2023 indicates that out of the outstanding Public Debt of ₹10,764.27 crore, 53.99 *per cent* (₹5,811.00 crore) is payable within the next seven years while the remaining 46.01 *per cent* (₹4,953.27 crore) is in the maturity bracket of more than seven years. With respect to present Debt liability, the repayment obligation (Principal and Interest) on the State Government will be maximum in 2029-30.
- There was a net difference of ₹217.29 crore (Credit) at the end of accounting year 2022-23 between the General Cash Balance as worked out by the Accountant General ₹945.59 crore (Credit) and that reported by the RBI ₹728.30 crore (Debit).

2.12 Recommendations

The State Government may-

- Shore up its resources and explore ways of harnessing the potential within the State by appropriate measures to reduce dependency on GoI grants.
- Adhere to the prescribed procedure for accounting of the NPS transactions scrupulously. It should ensure that Government contribution relating to NPS is fully matched with that of the employees' contribution and that the entire amount is transferred to NSDL in a timely manner to avoid future liability on the State exchequer as well as to provide an assurance to the employees about the returns on their investment.
- Maintain an accurate database with regard to the capital invested in projects which are at various stages of completion for several years and review its commitment to these and liabilities arising out of inordinate delays in their completion.
- Identify potential wasteful expenditure and adopt economic measures across departments on the increasing trends of share of Committed Expenditure to the Revenue Expenditure.
- Plan in advance for reducing other Committed expenditure and enhancing the revenue collection capacity to meet this obligation so as to mobilise debt resources adequately for incurring Capital expenditure for the creation of assets.

